

AR70



on the *rise*



Loblaws

weston





George Weston Limited is a broadly based Canadian company founded in 1882. It operates in two distinct business segments: Food Processing, which encompasses fresh and frozen bakeries, biscuit, dairy and fresh farmed salmon operations; and Food Distribution, operated through Loblaw Companies Limited, the largest food distributor in Canada.

[Weston at a Glance →](#)

Sales in 2001 reached a new high of \$25 billion, exceeding 2000 sales by more than \$2 billion including the effects of the July, 2001 acquisition of Bestfoods Baking Co., Inc., which added such well known brands as *Thomas'* English muffins, *Entenmann's* sweet baked goods and *Arnold* Brick Oven bread. Basic net earnings per common share, including unusual items, net of tax, were \$4.42, 21% or 76 cents above the \$3.66 earned in 2000. Basic net earnings per common share, excluding the 2001 unusual items and the effects of the 2000 federal and provincial tax rate reductions on future income tax balances, improved 19% to \$4.00 from the \$3.35 earned in 2000.

George Weston Limited is committed to creating value for its shareholders and to participating along with its more than 139,000 employees throughout its businesses in supporting the communities in which it operates.

*rising*  
demand

*rising*  
value





#### Food Processing

● Bakery Operations	
North America	50
New Bakeries	14

#### ▼ Fresh Farmed Salmon Operations

Canada	27
United States	9
Chile	13

#### ■ Dairy Operations

Canada	2
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#### ● Food Distribution

Corporate	617
Franchised	401
Associated	694
Independent	7,982

▼ Chile



Key Marketplace Initiatives

- Selectively broaden range of established brands to meet consumer demands
- Ensure future growth with leading retailers in all channels
- Strategically position and maximize efficiency of distribution network
- Continue capital investment to develop and focus production capacity, maximizing utility to prepare for growth opportunities

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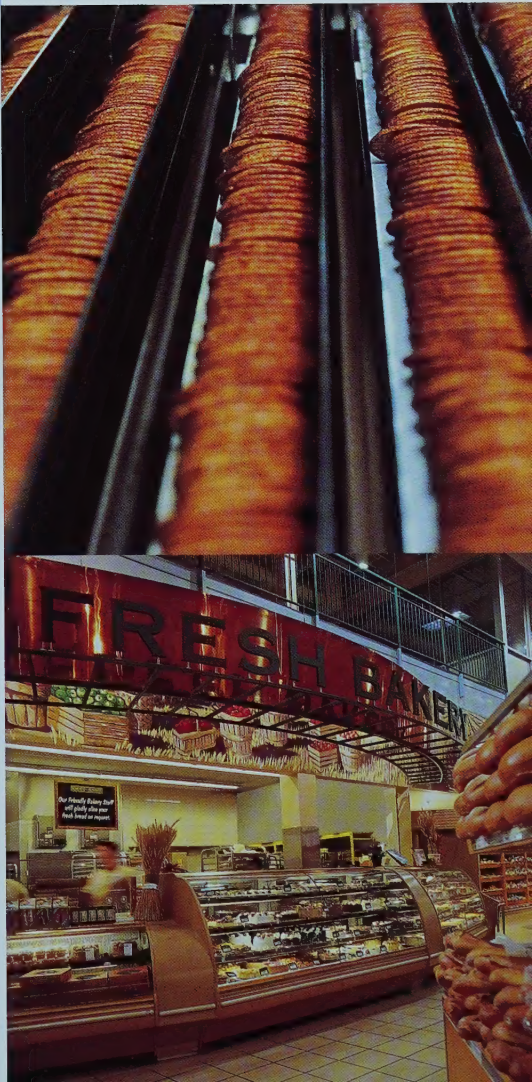
new bakeries acquired

The acquisition of Bestfoods Baking Co., Inc. (renamed George Weston Bakeries Inc.) was completed on July 30, 2001. George Weston Bakeries supplies some of the most famous and successful national and regional brands in the baking industry, producing top-quality fresh sliced breads, specialty breads and sweet baked goods.

Food Processing



Food Distribution





## Financial Highlights (1)

Year ended December 31

(\$ millions)

	2001	2000
<b>Sales and Earnings</b>		
Sales	24,661	22,344
Trading profit (EBITDA)	1,871	1,557
Operating income	1,440	1,189
Interest expense	221	171
Net earnings	582	481
<b>Cash Flows</b>		
Cash flows from operating activities before acquisition restructuring and other charges	1,055	1,113
Capital investment	1,330	1,047
<b>Per Common Share (\$)</b>		
Basic net earnings	4.42	3.66
Basic net earnings, excluding unusual items and goodwill charges, both net of tax	4.40	4.05
Cash flows from operating activities before acquisition restructuring and other charges	8.02	8.47
Dividend rate (year end)	.80	.80
Book value	27.58	22.09
Market value (year end)	103.40	84.10
<b>Financial Ratios</b>		
Returns on sales		
Trading profit (EBITDA)	7.6%	7.0%
Operating income	5.8%	5.3%
Net earnings, excluding unusual items, net of tax	2.1%	2.2%
Return on average total assets	11.9%	12.4%
Return on average common shareholders' equity	17.8%	17.4%
Interest coverage on total debt	6.5:1	7.0:1
Total debt to shareholders' equity	1.58:1	.97:1
Total debt, excluding Exchangeable Debentures, to shareholders' equity	1.47:1	.84:1

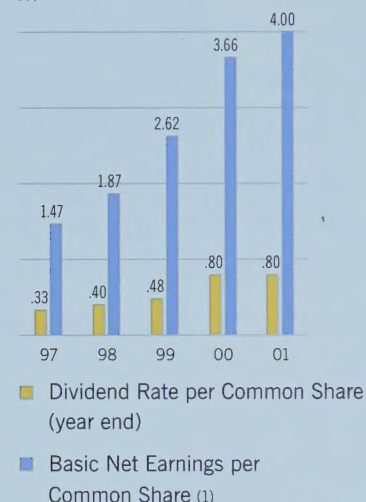
Unaudited terms and ratios used here are defined as follows. For other financial definitions, refer to page 48.

- Trading profit (EBITDA) – operating income before depreciation.
- Total debt – bank indebtedness, commercial paper, short term bank loans, long term debt due within one year, long term debt less cash, cash equivalents and short term investments.
- Cash flows from operating activities before acquisition restructuring and other charges per common share – cash flows from operating activities before acquisition restructuring and other charges divided by the weighted average common shares outstanding.
- Dividend rate per common share (year end) – 4th quarter common dividends declared multiplied by 4.
- Book value per common share – shareholders' equity divided by the common shares outstanding at year end.
- Trading profit return on sales – trading profit divided by sales.
- Operating income return on sales – operating income divided by sales.
- Net earnings, excluding unusual items, net of tax, return on sales – net earnings, excluding unusual items, net of tax, divided by sales.
- Return on average total assets – operating income divided by average total assets excluding cash, cash equivalents, short term investments and Business Assets for sale.
- Return on average common shareholders' equity – net earnings divided by average shareholders' equity.
- Interest coverage on total debt – operating income divided by interest expense.
- Total debt to shareholders' equity – total debt divided by shareholders' equity.
- Total debt, excluding Exchangeable Debentures, to shareholders' equity – total debt, excluding Exchangeable Debentures, divided by shareholders' equity.

2001 was another very successful and exciting year for George Weston Limited.

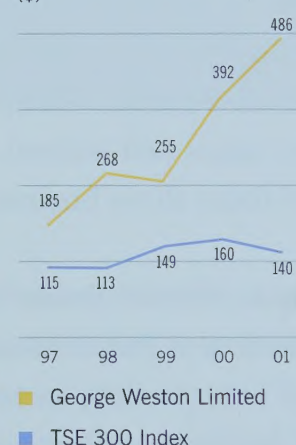
Sales increased by 10% or \$2.3 billion to \$24.7 billion with improvements from all parts of the existing businesses plus the contribution of the acquisitions, net of the disposition of Connors. Operating income increased from \$1.2 billion to \$1.4 billion in 2001, a \$251 million or 21% improvement and the operating income return on sales increased from 5.3% to 5.8%. Higher interest costs reduced the net result of operations to a 19% increase in basic net earnings per share (excluding 2001 unusual items and the 2000 federal and provincial budgeted income tax rate changes).

Basic Net Earnings <sup>(1)</sup> and Dividend Rate per Common Share (\$)

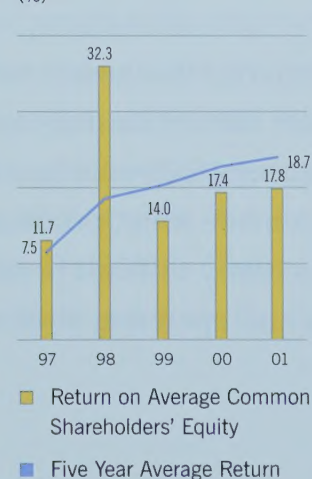


(1) Excluding unusual items, net of tax

Total Return on \$100 Investment (includes dividend reinvestment) (\$)



Return on Average Common Shareholders' Equity (%)





Food Processing was realigned to focus on the U.S. baking operations as the engine for future growth. The operations of Bestfoods Baking Co., Inc. ("Bestfoods Baking") were acquired in July, instantly turning George Weston Limited into one of the largest and most profitable baking companies in North America. While the Connors canned sardine business was sold in the fourth quarter of 2001, the sale of the remaining fisheries business, operating under the *Heritage* farmed salmon banner, was cancelled due to depressed market prices for fresh salmon. The Company also decided not to sell the Neilson Dairy business, which completed a record year of sales and operating profit in 2001 and has also identified a number of solid future growth opportunities.

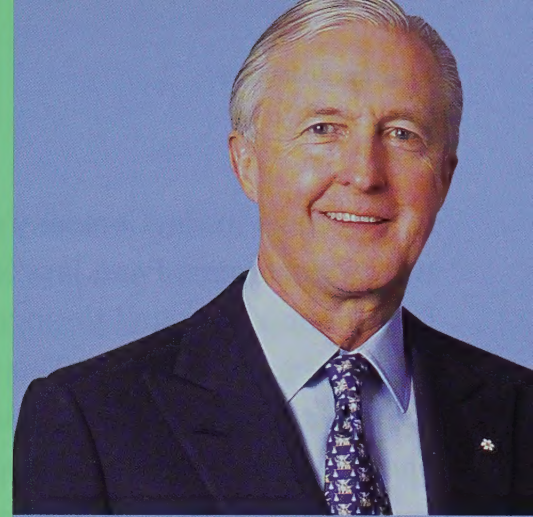
The Food Processing expansion in 2001 increased revenue in that segment by 37% to \$3.8 billion, and operating income by 41% to \$312 million. Under the stewardship of Gary Prince, the impact of integration with our existing U.S. baking businesses has been positive. Bestfoods Baking (renamed George Weston Bakeries Inc.) brings with it such well known brands as *Thomas'* (English muffins and waffles), *Entenmann's* (cakes and doughnuts), *Freihofer's* (popular fresh breads), *Arnold* and *Brownberry* (premium fresh breads and croutons). Its network of baking and distribution facilities complements existing facilities and brands within Stroehmann Bakeries (fresh breads), Interbake Foods (biscuits, cookies, cones and wafers) and Maplehurst Bakeries (frozen cakes, doughnuts and pies). Each of these three businesses materially improved operating performance in 2001.

In Canada, Weston Foods, the largest and most profitable bakery business in Canada, under the direction of Ralph Robinson, enjoyed a record year of sales and earnings. Continuing the strategy of expanding its presence in the faster growing niche bread categories, five small bakery facilities were acquired in 2001, following the acquisition of six bakeries since 1998. Weston Foods continues to flourish and grow, adding steadily to its product line, while at the same time further improving its low cost operating structure.

The fisheries businesses were put up for sale in 2001 as part of the refocusing efforts. Connors canned sardine operations and the Scotland based seafood processing businesses were successfully sold late in the year. Temporarily low world market prices for fresh salmon made it not prudent to sell the *Heritage* business. These low market prices made it a particularly difficult profit year for *Heritage*, although volumes and demand remained strong and operating costs continue to be in line with expectations.



W. Galen Weston  
Chairman of the Board



Richard J. Currie  
President

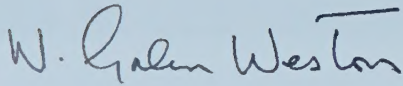


Loblaw Companies Limited, Canada's largest and most successful food distribution company, (now 61% owned by George Weston Limited), completed its most successful year ever under its new President, John Lederer, with total sales up 7%, same-store sales up 4% and earnings up 17%. A strong capital investment program has been a priority in Loblaw for a number of years, and 2001 was no exception. Over \$1.1 billion was invested in new stores, refurbishments and expansions, together with infrastructure investments in warehouse and distribution facilities to support the continuing growth. Market penetration improved in all regions. Loblaw invested heavily in new large store real estate to enhance its ability to offer its customers a greater variety of non-food merchandise, such as household and kitchen products, small appliances and some electronics, to complement the previous extensions of the food base — including in-store photo finishing, pharmacy, cards and candles. The *no name* and *President's Choice* food lines continued to be expanded, and the *President's Choice Financial* MasterCard, launched in 2001, has been well accepted with its use growing rapidly across the country.



At this stage in the Company's history, George Weston Limited has been refocused into two distinct units: Food Processing in North America (principally baking), and Food Distribution, operated through Loblaw Companies, exclusively in Canada. While Loblaw has continued its 15%-20% per year average earnings growth rate over the last decade, the effort in the Food Processing portion of the business has been to streamline the operations, remove unnecessary costs, flatten the organization structure by operating geographically and not by product line, and to concentrate on building the baking business into a dynamic North American powerhouse.

The direction of Weston has now been set, the assets and operating base for future growth provided, and a very strong management team established. We consider the management teams in Weston and Loblaw to be our greatest asset. The future of the business is bright indeed, limited only by the commitment and determination of the people in it.



W. Galen Weston  
Chairman of the Board



Richard J. Currie  
President



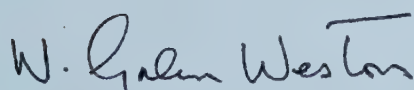
It is with a great deal of sadness that Richard J. (Dick) Currie has chosen to retire from George Weston Limited at this year's Annual Shareholders' Meeting on May 8, 2002. Dick and I have been close business associates and good friends for over 30 years. As President of Loblaw Companies, he masterfully managed the business for some 25 years. With Dick at the helm, Loblaw was transformed from one of the most highly geared and unprofitable retail/wholesale businesses in North America to the largest and most successful food distributor in Canada. In 1996, he agreed to extend his responsibilities and become President of George Weston Limited, the parent company. We decided to focus on Weston's heritage business of "fresh baking". He added thought, discipline and extra resources to this side of the business while we simultaneously exited the non-core operations of forest products and west coast fisheries. Finally, last year, Dick orchestrated the Bestfoods Baking acquisition — described by one analyst in this industry as the "deal of the century" — vaulting Weston into the big leagues of bakery companies in North America.

During Dick's tenure, confidence in Loblaw and Weston in the marketplace increased dramatically: when he took over as President of Loblaw Companies, our market cap was \$40 million. It was over \$14 billion when he stepped down this time last year. When he took on George Weston six years ago, its share value was less than \$16. It is now over \$110. His award as "Canada's Outstanding CEO of the Year"™ for 2001 was justly deserved.

Dick became well known for clear corporate direction and firm leadership. This legacy lives on in the highly competent team of executives that he has developed and leaves behind him. Their hands are full but they are inspired and ready to maintain the pace of growth that he engineered so successfully.

On behalf of myself and the Board of Directors, I would like to thank Dick for his many years of superb leadership, for his sensitivities to our customers and to our business associates, and for his commitment to making Weston and Loblaw winners.

We shall all miss him.

A handwritten signature in dark ink, reading "W. Galen Weston". The signature is fluid and cursive, with the first name "W." and last name "Weston" clearly legible.

**W. Galen Weston**

Chairman of the Board



VISION







no. **1**

Donut, the most popular snack in the U.S., is a \$1.5 billion industry.

Donut, the most popular snack in the U.S., is a \$1.5 billion industry. The market is growing, and new brands are emerging. Donut is a versatile snack that can be enjoyed in many ways. It can be eaten as a snack, a dessert, or even a meal. Donut is a delicious and satisfying treat that everyone enjoys.



*rising*  
brands



100119







1

THE 1st LARGEST BAKING COMPANY IN NORTH AMERICA

George Weston Bakeries Inc. is a leading manufacturer of baked goods in North America. The company's products are sold under a variety of brands, including Freihofer's, Entenmann's, Brownberry, Thomas', and Arnold.

# building business

The acquisition of Bestfoods Baking Co., Inc. (renamed George Weston Bakeries Inc.) was completed in July, 2001. The combination of George Weston Bakeries and Weston's current baking operations — in Canada, Weston Bakeries and Ready Bake, and in the United States, Stroehmann, Interbake and Maplehurst — positions the Company as a major player in the North American baking sector. George Weston Bakeries complements our already successful baking operations in the United States with its outstanding assets, excellent management team and over 100 years of experience building brands such as *Freihofer's*, *Entenmann's*, *Brownberry*, *Thomas'* and *Arnold*.



VISION



Well-positioned portfolio of premium and popular brands and private labels With the acquisition of Bestfoods Baking, Weston now offers a wider variety of products that appeal to all tastes, ranging from such premium brands as *Arnold*, *Brownberry*, *Thomas'* and *Entenmann's* to all-family brands such as *Wonder*, *D'Italiano*, *Stroehmann's* and *Country Harvest*, to private label fresh breads, cookies, crackers, doughnuts and pies for food retailers and food service providers. This powerful array of products and brands enhances the breadth of our offering for all eating occasions with products for breakfast, lunch, dinner and snacks.





1

## premium and popular brands

*Arnold* Fresh sliced bread, produced by George Weston Bakeries and sold in the United States.

*Boboli* Leading fresh pizza crust, produced by George Weston Bakeries and sold in the United States.

*Brownberry* Fresh sliced bread and croutons, produced by George Weston Bakeries for sale throughout the United States and Canada.

*Country Harvest* Fresh sliced bread and bagels, produced by Weston Bakeries for sale across Canada.

*D'Italiano* Fresh sliced bread and rolls, produced by Weston Bakeries for sale across Canada and by Stroehmann for sale in the northeastern United States.

*Entenmann's* Fresh baked sweet goods, including the top selling crumb cake, chocolate doughnuts and loaf cakes,

as well as an array of seasonal offerings, produced by George Weston Bakeries for sale in the United States and Canada.

Fresh bread and baked sweet goods, produced and sold in the northeastern United States by George Weston Bakeries.

and *Stroehmann* Fresh sliced breads, produced by Stroehmann for sale in the northeastern United States.

A family of fresh baked breakfast products including English muffins famous for their "nooks and crannies", bagels and the recently introduced waffles, produced by George Weston Bakeries for sale in the United States and Canada.

and *Wonder* Fresh sliced bread and rolls, produced by Weston Bakeries and sold across Canada.





ability





\$1.3

PER 100g (3.5oz) Serving Size

Calories 100  
Total Fat 10g  
Sodium 100mg  
Total Sugar 10g  
Total Protein 10g



*rising*  
capabilities

ability







\$1.3

# successful execution

Successful execution has been key to George Weston Limited's growth strategy. Through acquisitions and organic growth, the Company has established a solid platform from which to create additional value for consumers and shareholders. As a measure of the Company's success, the return on assets has grown steadily from 9.5% five years ago to 12.4% in 2000, dipping slightly in 2001 reflecting the Bestfoods Baking acquisition, and growth is expected to continue in 2002.



Evidence of the ongoing pursuit of organic growth can be seen in the development of product line expansions such as *Country Harvest's The Better Half*, introduced by Weston Bakeries, and in new product lines and services such as *President's Choice Organics* and the *President's Choice Financial MasterCard*, introduced by Loblaw this year.





## strategic investment

**Capital Investment** Major capital projects in the Food Processing segment included significant capacity expansion at the Ready Bake plant in Mississauga, Ontario and the Maplehurst plant in Brownsburg, Indiana, as well as several facility acquisitions by Weston Bakeries in Canada. With the average new corporate store size increasing to 63,000 square feet in 2001 from 50,000 square feet five years ago, Loblaw's \$1.1 billion capital investment this year has continued to support store growth, with 80% of investment directed to retail stores and the balance to store infrastructure, including a new distribution centre in Cambridge, Ontario and a new administrative office in Montreal, Quebec.

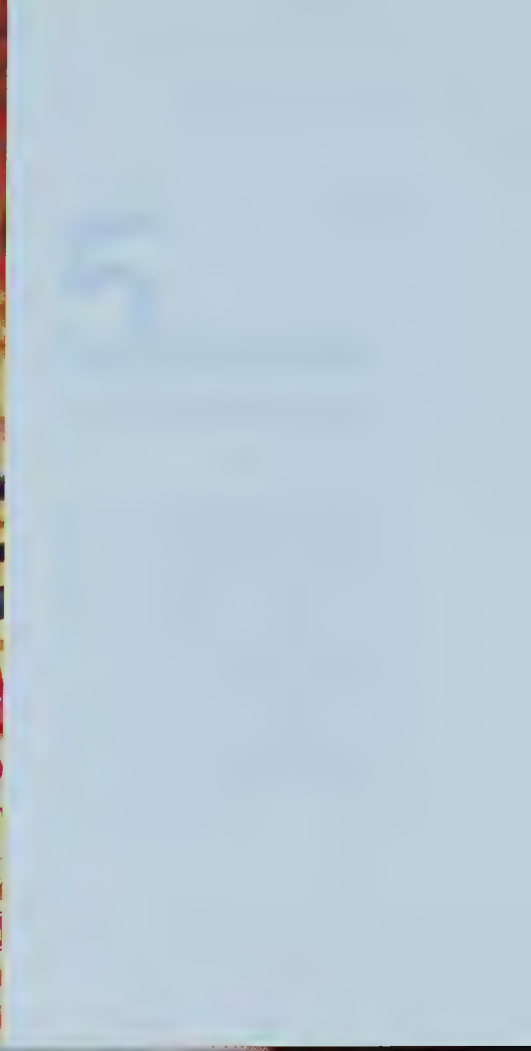
The Company has developed a successful model for acquisitions to help ensure maximum returns. Significant acquisitions such as Bestfoods Baking in 2001 and Provigo in 1998, in combination with niche acquisitions such as Norse Dairy Systems and City Bakery, have been seamlessly integrated into the business, improving sales growth along with the related synergies.



opportunity







*rising*  
market share



opportunity







# foundation for growth

The combination of vision and ability provides a foundation for growth and opportunity for the Company. In 2002, the Company expects continued organic growth from the existing Food Processing business in addition to benefits from the acquisition of Bestfoods Baking. Next year, growth at Loblaw will be supported by continued capital investment in larger stores across Canada, expansion of the non-food and service offerings and a focus on low cost operations.



opportunity



The control label program is one of the cornerstones of Loblaw's success and a significant contributor to its current and future growth, nationally and regionally. The program continues to develop strong brand loyalty and effectively position its products to meet consumers' everyday household needs. In addition to consumer goods, the program now extends to services such as *President's Choice Financial* services. In 2001, Loblaw, through President's Choice Bank, successfully launched the *President's Choice Financial* MasterCard and achieved a milestone with the opening of its 200th in-store pavilion.





## control label strength

In 2002, Loblaw aims to increase control label sales and overall market penetration through two major programs, expansion of existing product lines and new product development. To enhance existing product line sales, Loblaw has developed a marketing plan for key brands. Based on consumer research and category analysis, the plan is focused on five key strategic areas:

**Nutritional** Continue the expansion of the very successful *TOO GOOD TO BE TRUE* ultra nutritious product range and develop other health focused *President's Choice* products.

**Convenience** Place a major emphasis on saving consumers the precious commodity of time by broadening the existing product range and take-home meals.

**Response to the *President's Choice Organics* product line** introduced in 2001 has been exceptional. Efforts are underway to expand this product line to 300 key items to satisfy customers' needs for variety.

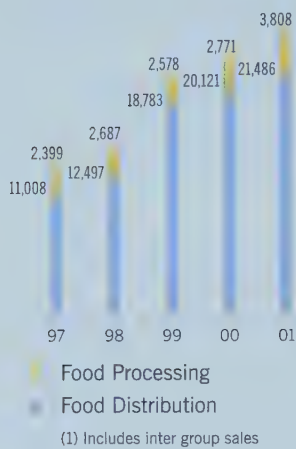
**Develop value added fresh commodity products** in the meat, seafood, dairy and produce categories.

**Support one-stop shopping** by developing *President's Choice* and other control label products for kitchenware, tableware, bed and bath and emerging non-food needs.

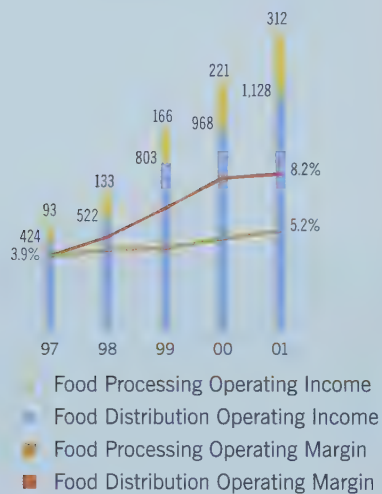


## Management's Discussion and Analysis

Sales (1)  
(\$ millions)



Operating Income and Margin  
(\$ millions)



Total Assets (1) and Return on Average Total Assets  
(\$ millions)



(1) 2001 total assets exclude Business held for sale; 1998 to 2001 total assets exclude the \$368 investment in Domtar common shares

George Weston Limited (“the Company”) is a broadly based Canadian company which carries on business primarily in Canada and the United States through its Food Processing and Food Distribution segments. The Food Processing segment is a significant participant in the North American baking and fresh farmed salmon industries as well as the dairy industry, principally in Canada. The Food Distribution segment operates through Loblaw Companies Limited (“Loblaw”), the largest food distributor in Canada.



This discussion and analysis, including the results by quarter found on page 51, should be read in conjunction with the audited consolidated financial statements and the notes that accompany them found on pages 29 to 47 of this Annual Report. Certain forward-looking statements are included in this Annual Report concerning capital investment, cost reduction and operating improvements. Such statements are subject to inherent uncertainties and risks, which include but are not limited to: general industry and regional economic conditions, supplier arrangements, pricing pressures and other competitive factors, the results of the Company's ongoing efforts to improve cost effectiveness, and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

#### 2001 Developments

On July 30, 2001, George Weston Limited completed the acquisition of Bestfoods Baking Co., Inc. ("Bestfoods Baking") in the United States from Unilever at a price of U.S. \$1.79 billion or Cdn. \$2.78 billion in cash. The business was renamed George Weston Bakeries Inc. ("George Weston Bakeries"). The Company believes that the brands, earnings performance, management team and future prospects of this business make it a strategic acquisition that complements the Company's U.S. baking operations. Its integration with the existing operations is well underway with the exception of the Western portion of the acquired business, consisting principally of the *Oroweat* product line with bakeries in Texas, Colorado, California and Oregon. Subsequent to year end 2001, the Company completed the sale of the Western portion of Bestfoods Baking (including certain license and distribution arrangements) to Grupo Bimbo, S.A. de C.V. for cash proceeds of U.S. \$610 million or approximately Cdn. \$950 million.

The Bestfoods Baking acquisition has been accounted for using the purchase method with the net realizable value of the Western assets being sold reported as "Business held for sale". Operating results include the operations of George Weston Bakeries since the date of acquisition but exclude the results of the Western portion of that business.

In the fourth quarter of 2001, the Company completed the sale of 4.2 million Loblaw common shares at a price of \$48.50 per common share for net proceeds of \$195 million, which reduced the Company's ownership of Loblaw to 61% from 63%. Also in the fourth quarter, the Company completed the planned sales of the Connors canned sardine and seafood processing operations for net proceeds of \$148 million. Proceeds from these transactions were used to repay debt. Proceeds from the divestiture of the *Oroweat* operation have also been used for debt repayment. The Company has stated its intention to retain the Neilson Dairy and *Heritage* salmon operations.

#### Sales

Sales for 2001 were \$24.66 billion, an increase of 10% or \$2.32 billion over 2000.

2001 sales of \$3.81 billion exceeded 2000 by \$1.04 billion or 37% reflecting growth in all businesses and supported by the 2001 Bestfoods Baking acquisition. Excluding the impact of this acquisition and the Connors dispositions, Food Processing sales increased \$210 million or 8%, reflecting improvement in all operations with the exception of the fresh farmed salmon operations.

Sales in the Canadian fresh and frozen baking business increased as a result of continued organic growth and a full year's contribution from the 2000 acquisitions.

#### Sales

(\$ millions)	2001	Change	2000
Food Processing	\$ 3,808	37%	\$ 2,771
Food Distribution	21,486	7%	20,121
Inter Group	(633)		(548)
Consolidated	\$ 24,661	10%	\$ 22,344

Fisheries sales, including the results of the Connors canned sardine and seafood processing operations up to mid-November, declined compared to last year due

In 2002, Loblaw plans to open, expand or remodel more than 130 corporate and franchised stores across Canada, introduce more than 500 control label products and further enhance the non-food product offering, all of which is expected to generate additional sales growth.





## Operating Income

Operating income (earnings before interest, taxes and goodwill charges) increased 21% to \$1.44 billion for the full year, compared to \$1.19 billion in 2000.

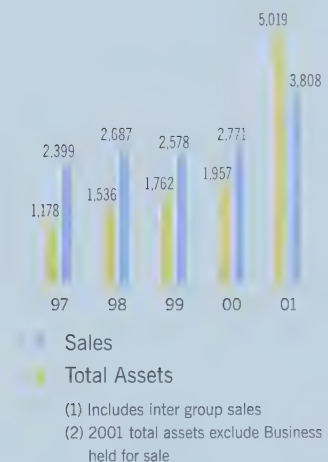
Food Processing operating income of \$312 million in 2001 surpassed the prior year by \$91 million or 41%. Excluding the impact of the Bestfoods Baking acquisition and the Connors dispositions, operating income increased 7% or \$14 million compared to 2000, including a \$20 million provision recorded related to the *Heritage* salmon operations, described later in this section.

Canadian fresh and frozen baking operations' operating income improved again in 2001, driven mainly by increased sales volumes from existing and new customers and margin improvements. Neilson Dairy's operating income increased significantly, leveraging strong sales growth from a low cost production base.

Operating income from the U.S. operations, excluding George Weston Bakeries, grew solidly, driven by sales growth, combined with continued focus on operating cost control. In line with expectations, George Weston Bakeries contributed solidly to operating income for the five months since acquisition which have been included in 2001.

Fisheries' operating income was significantly lower than last year. While the 2001 results of the Connors operations prior to the sales were comparable to 2000, the very depressed market prices for fresh salmon

Food Processing  
Sales (1) and Total Assets (2)  
(\$ millions)



Food Distribution  
Sales and Total Assets  
(\$ millions)



**5.8%**  
Consolidated Operating Margin

Food Processing earnings are expected to grow solidly, reflecting the benefits of the integration of George Weston Bakeries for a full year, anticipated sales growth from all parts of the business and improvement in the market prices for fresh salmon as world supply and demand rebalance.

In the Food Distribution segments, the Company has implemented financial strategies to maximize its operational performance. These strategies include a portfolio approach to manage the various markets and a focus on the commitment to expand product lines and production initiatives.

had a negative impact on the profitability of the Food Processing segment. In addition, in light of current market conditions, the Company recorded a provision of \$20 million, primarily against the value of inventory, through the current year operating income.

Despite the adverse impact of the fresh farmed salmon results, operating margin (operating income divided by sales) improved to 8.2% in 2001 (7.5% excluding George Weston Bakeries and the Connors dispositions), compared to 8.0% in 2000. Trading profit or EBITDA (operating income before depreciation) divided by sales (trading margin) was 11.2% in 2001 (10.8% excluding George Weston Bakeries and the Connors dispositions), an improvement from 11.0% in 2000.

In 2002, Food Processing earnings are expected to grow solidly, reflecting the benefits of the integration of George Weston Bakeries for a full year, anticipated sales growth from all parts of the business and improvement in the market prices for fresh salmon as world supply and demand rebalance.

Food Processing operating income increased \$160 million, or 17%, to \$1.13 billion in 2001. Gross margins strengthened and operating margin improved to 5.2% from 4.8% in 2000. Trading margin improved to 6.7% from 6.2% in 2000, resulting from better product mix management at the store level, better inventory management to minimize inventory shrinkage, continued focus on overhead cost control and efficiencies, reduced product costs from buying synergies, and the maturing of stores opened during the past few years. All regions realized earnings improvements over 2000.

Food Distribution operating income growth is expected to continue in 2002 at a rate comparable to 2001 from the segment's continued focus on the initiatives described above.

#### Unusual Items

In the fourth quarter of 2001, three items totalling \$63 million were recorded as unusual items in earnings before taxes: the sale of 4.2 million Loblaw common shares gave rise to a \$142 million gain; the sales of the Connors canned sardine and seafood processing operations yielded a loss on disposal

#### Operating Income and Margin

##### Operating Income (\$ millions)

	2001	Change	2000
Food Processing	\$ 312	41%	\$ 221
Food Distribution	1,128	17%	968
Consolidated	\$ 1,440	21%	\$ 1,189
<b>Operating Margin</b>			
Food Processing	8.2%		8.0%
Food Distribution	5.2%		4.8%
Consolidated	5.8%		5.3%





of \$35 million; and the recording of the Bestfoods Baking acquisition involved a restructuring charge of \$44 million (U.S. \$29 million) related to bakery asset and administration reorganization associated with the non-Bestfoods Baking facilities, including severance, recognizing the effects of integration efforts underway to maximize efficiencies of the new combined operating structure.

#### Interest Expense

Interest expense consists primarily of interest expense on short and long term debt, the amortization of deferred financing costs and the realized interest impact of interest rate and currency derivatives less interest earned on short and long term investments held by Glenhuron Bank Limited, a wholly owned subsidiary of Loblaw in Barbados. Net interest expense for 2001 was \$221 million, an increase of \$50 million from 2000. The increase was primarily the result of the Bestfoods Baking acquisition financing, slightly offset by a decrease in average net borrowing rates for the year. Net short term interest income decreased as a result of lower average net interest rates and the Bestfoods Baking financing offset by Loblaw's higher average net short term investment levels.

#### Trading Profit and Margin

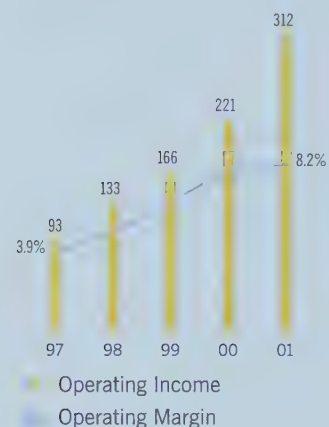
##### Trading Profit (EBITDA) (\$ millions)

	2001	Change	2000
Food Processing	\$ 428	40%	\$ 306
Food Distribution	1,443	15%	1,251
Consolidated	\$ 1,871	20%	\$ 1,557

##### Trading Margin

Food Processing	11.2%	11.0%
Food Distribution	6.7%	6.2%
Consolidated	7.6%	7.0%

#### Food Processing Operating Income and Margin (\$ millions)



#### Food Distribution Operating Income and Margin (\$ millions)





management include the impact of brand equity, the impact of opening new stores with the new format, the impact of opening cash flow

The 2001 weighted average interest rate on fixed rate long term debt (excluding capital lease obligations and the Domtar Exchangeable Debentures) decreased to 7.0% from 7.6% in 2000. The weighted average term to maturity decreased to 16 years in 2001 (2000 – 17). The net positive effect of interest rate and currency derivatives was \$19 million (2000 – \$3 million), which reduced long term interest expense.

Interest coverage (operating income divided by interest expense) declined to 6.5 times in 2001 from 7.0 times in 2000 mainly due to the incremental interest expense related to the Bestfoods Baking acquisition financing.

In 2002, net interest expense is expected to increase due to higher average net borrowing levels, primarily a full year of the Bestfoods Baking acquisition financing.

#### Income Taxes

The Company's effective income tax rate was 35.2% in 2001, marginally lower than the prior year's effective income tax rate of 36.1% (excluding the impact of substantially enacted changes in future income tax rates in 2000). The decrease was a result of both Canadian federal and provincial income tax rate reductions and the unusual items in 2001. In 2001, the Company recorded a \$1 million income tax recovery related to the recognition of future Ontario income tax rate reductions, which will be phased in from 2002 to 2005. In 2000, the Company reported a \$41 million reduction to future income tax expense related to the recognition of future Canadian federal and provincial

income tax rate and capital gains/losses inclusion rate reductions, some of which were phased in during 2001 with the remainder to be phased in from 2002 to 2004.

The 2002 effective income tax rate is expected to decline slightly compared to 2001, consistent with previously announced budgetary income tax rate reductions and the impact of the new accounting standard that provides for the discontinuance of goodwill and intangible asset amortization. This accounting change will result in an apparent decrease of approximately 1% in the Company's effective income tax rate in 2002.

#### Net Earnings

Net earnings, including unusual items, rose to \$582 million in 2001 from \$481 million in 2000. Basic net earnings per common share, including unusual items, net of tax, were \$4.42, an increase of 21% or 76 cents from the \$3.66 earned in 2000. Basic net earnings per common share, excluding the 2001 unusual items and the effects of the 2000 Canadian federal and provincial tax rate reductions, improved 19% to \$4.00 from the \$3.35 earned in 2000.

The Company maintained a solid financial position in 2001, which is expected to strengthen in 2002. The Bestfoods Baking acquisition temporarily increased the debt to equity ratio at the end of the year above the Company's internal 1:1 guideline. The ratio this year at 1.58:1 (1.47:1 excluding the Domtar Exchangeable



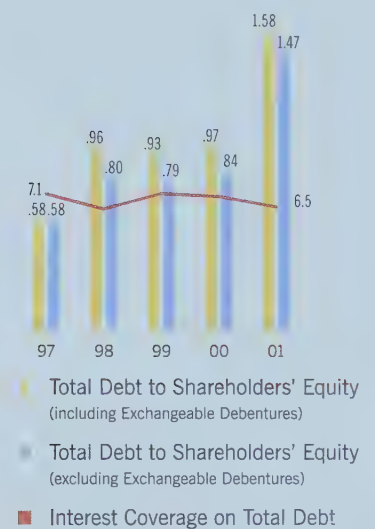


Debentures) compares to .97:1 last year (.84:1 excluding the Domtar Exchangeable Debentures). The proceeds realized from the sale of the Bestfoods Baking Western operations and refinancing of debt through the planned issuance of preferred shares, in combination with retained earnings growth from future incremental earnings, are expected to return the debt to equity ratio to within the Company's internal guideline by the end of 2002 or in 2003. Similarly, the return on average total assets of 11.9% in 2001 declined slightly compared to 12.4% in 2000, reflecting the mid year Bestfoods Baking acquisition, with improvement expected in 2002.

In 2001, the Company entered into currency derivative agreements to exchange an amount of \$3.00 billion Canadian dollar debt for U.S. dollar debt. The derivatives are a hedge against exchange rate fluctuations on the Company's U.S. dollar denominated assets. In addition, the Company entered into an equity derivative agreement based on 9.6 million Loblaw common shares. Subsequent to year end 2001, the Company entered into equity derivative agreements based on 78,300 of its common shares at an average price of \$103.00 per common share.

Shareholders' equity reached \$3.63 billion in 2001, an increase of \$722 million from 2000, attributable to the current year's net earnings, net of dividends, and the issue of preferred shares.

Total Debt to Shareholders' Equity and Interest Coverage on Total Debt



6.10

2001 Cash Flow from  
Operating Activities

The Company's Food Processing operation produces fresh meat and poultry products and other food products for sale to retail customers. The Company's Food Distribution operation produces fresh and frozen bakery products and other food products for sale to retail customers. The Company's Dairy operation produces fresh milk and other dairy products for sale to retail customers. The Company's other operations include the production and distribution of other food products. The Company's brands include Weston, Neilson Dairy and others.

The Company's dividend policy for common shares is to maintain a stable dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During 2001, the Company declared, after approval by the Board of Directors, an 80 cent annualized dividend per common share, equal to 24% of the 2000 basic net earnings per common share, which was within the Company's dividend policy range.

#### Cash Flows from Operating Activities

2001 cash flows from operating activities decreased \$66 million to \$979 million compared to \$1.05 billion in 2000. Cash flows from operating activities before acquisition restructuring and other charges were \$1.06 billion in 2001, a decrease of \$58 million from 2000. The cash flows from operating activities before acquisition restructuring and other charges are used as an indicator of normalized cash flows from operating activities and exclude the acquisition restructuring and other charges which are not considered part of normal operations. Excluding working capital investment, cash flows from operations increased generally in line with EBITDA. Depreciation increases reflect the Company's continuing commitment to invest for growth in both operating segments. The investment in working capital was made in Loblaw, principally for inventory that reflects its strategic thrust into certain non-food categories which typically have inventory turns slower than food, and for increased inventory and receivable levels in the *Heritage* fresh farmed salmon operations.

The 2002 cash flows from operating activities are expected to increase at a rate consistent with operating earnings growth and to fund most of the Company's anticipated 2002 capital investment activity.

#### Cash Flows from Investing Activities

Capital investment (excluding acquisitions) in 2001 totalled \$1.33 billion, \$222 million for Food Processing and \$1.11 billion for Food Distribution. The Food Processing segment investment was directed to plant expansions in Canadian and U.S. fresh and frozen baking operations in addition to line relocations, facility acquisitions and upgrades in all businesses.

Food Distribution capital investment reached \$1.11 billion in 2001 compared to \$943 million in 2000. Approximately 80% of the total capital investment was for new stores, renovations, expansions and/or replacements. Other capital investment was for information systems, the distribution network and other infrastructure to support store growth. Some of the new larger stores replaced older, smaller, less efficient stores that did not offer the broad range of products and services demanded by today's consumer. Loblaw's continued capital investment activity benefited all banners and regions in varying degrees and strengthened the existing store base. Loblaw's 2001 corporate and franchised store capital investment program increased net square footage by 5% compared to 2000. This increase includes the impact of store openings and closures during the year. During 2001, 61 (2000 – 71) new corporate and franchised stores were opened and 75 (2000 – 66) underwent major renovation or minor expansion, adding approximately

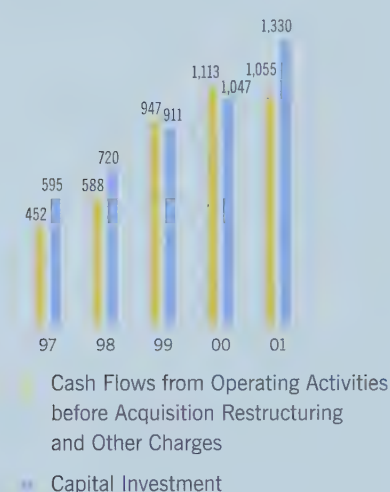




2 million square feet of selling space (2000 – 2 million), net of 62 (2000 – 62) store closures. The 2001 average corporate store size increased 4% to 46,400 square feet (2000 – 44,600) and the average franchised store size increased 4% to 22,900 square feet (2000 – 22,000). Loblaw opened three stores in Ontario employing its new enlarged store layout of approximately 115,000 square feet, which was designed to accommodate a greater selection of non-food products. In addition to the retail store investment, during 2001, Loblaw also constructed a new warehouse in Cambridge, Ontario and opened a new office building in Montreal for the Quebec operations.

At year end 2001, projects-in-progress, which the Company has committed to complete, totalled approximately \$162 million of the 2002 planned \$1.42 billion capital investment (Food Processing – \$297 million, Food Distribution – \$1.13 billion).

Cash Flows from Operating Activities and Capital Investment  
(\$ millions)



#### Major Cash Flow Components (\$ millions)

##### Capital Investment

Food Processing  
Food Distribution

Consolidated

##### Business Acquisitions

##### Business Dispositions

##### Cash Flows from Operating Activities before Acquisition Restructuring and Other Charges

##### Cash Flows from Financing Activities

	2001	Change	2000
<b>Capital Investment</b>			
Food Processing	\$ 222	113%	\$ 104
Food Distribution	1,108	17%	943
Consolidated	\$ 1,330	27%	\$ 1,047
<b>Business Acquisitions</b>	\$ 2,794		\$ 242
<b>Business Dispositions</b>	\$ 330		
<b>Cash Flows from Operating Activities before Acquisition Restructuring and Other Charges</b>	\$ 1,055	(5%)	\$ 1,113
<b>Cash Flows from Financing Activities</b>	\$ 2,941		\$ 584



the northeastern United States, including the *Maier's* and *Maier's* brands. The Company also owns and operates several bakeries and food service facilities, including a specialty biscuit maker and a private label manufacturing facility for Scout cookies.

In 2002, capital investment in the Food Processing segment will focus on the integration of the George Weston Bakeries business and new facilities in eastern Canada, in addition to routine capital maintenance. The Food Distribution segment plans to open, expand or renovate more than 130 corporate and franchised stores throughout Canada in a geographic investment pattern similar to that of 2001.

#### Cash Flows from Financing Activities

The Company obtains its short term financing through a combination of internally generated cash flows, cash, cash equivalents, short term investments, bank indebtedness and its commercial paper program. The Company's cash, cash equivalents and short term investments, as well as \$108 million in uncommitted facilities and \$313 million in committed facilities extended by several banks, support the Company's \$300 million commercial paper program. Loblaw's cash, cash equivalents and short term investments, as well as \$820 million in lines of credit extended by several banks, support its \$1.20 billion commercial paper program.

The Company obtains its long term financing primarily through its Medium Term Notes ("MTN") programs. The Company and/or Loblaw plans to refinance existing long term debt as it matures and may obtain additional long term financing for other operating uses or for strategic reasons. The Company anticipates no difficulty in obtaining long term financing in view of its current credit ratings and its past experiences in the capital markets.

In connection with the acquisition of Bestfoods Baking, the Company obtained a Cdn. \$2.18 billion and U.S. \$400 million unsecured bridge loan, of which Cdn. \$754 million and U.S. \$400 million was outstanding at 2001 year end. During the third quarter of 2001, the Company filed a Base Shelf Prospectus for the issue of up to \$1.50 billion in debt securities and preferred shares, from which the Company issued \$500 million of MTN and \$235 million of preferred shares. In addition, the Company arranged secured debt financing of \$466 million. Subsequent to year end, the Company issued \$400 million of MTN under the 2001 shelf prospectus.

During 2001, Loblaw issued the remaining \$440 million of MTN under its 2000 shelf prospectus. During the first quarter of 2001, Loblaw filed another shelf prospectus to issue up to \$1.50 billion of MTN, from which it issued \$600 million in 2001. Proceeds from these MTN issues were used to repay short term commercial paper and to redeem/repay other long term debt; the proceeds also contributed to the cash position increase during the year. During 2001, \$100 million of Provigo Inc. Debentures matured,

Credit Ratings (Canadian Standards)	Dominion Bond Rating Service	Standard & Poor's
<b>George Weston Limited</b>		
Commercial paper	R-1 (low)	A-1 (low)
Medium term notes	A (low)	A-
Other notes and debentures	A (low)	A-
Preferred shares	Pfd-2 (low)	P-2
<b>Loblaw Companies Limited</b>		
Commercial paper	R-1 (low)	A-1 (mid)
Medium term notes	A (high)	A
Other notes and debentures	A (high)	A





\$50 million of Series 5 Debentures were redeemed and \$100 million 7.34% MTN matured. Subsequent to year end 2001, Loblaw announced its intention to redeem its Series 8, \$61 million Debentures and issued \$200 million of 6.85% MTN.

During 2001, the Company purchased for cancellation 8,100 (2000 – 220,000) of its common shares for \$1 million (2000 – \$12 million), pursuant to its Normal Course Issuer Bids.

In 2000, Loblaw issued \$760 million of MTN related to its 1999 and 2000 shelf prospectuses and redeemed its \$100 million 5.39% Notes.

Debt terms and details are presented in Note 11 to the consolidated financial statements on pages 41 and 42 in this Annual Report.

The Company and Loblaw expect to meet their respective 2002 cash requirements through funds generated from operations, the commercial paper programs and the Company's remaining MTN and preferred share facility and Loblaw's remaining MTN facility.

Accounting Standard and  
Implemented in 2001

The Canadian Institute of Chartered Accountants ("CICA") issued three accounting standards, Section 3500 "Earnings per Share", Section 1581 "Business Combinations" and Section 3062 "Goodwill and Intangible Assets" for 2001. Section 3500 was effective for fiscal years commencing on or after January 1, 2001. Sections 1581 and 3062 apply to

acquisitions completed on or after July 1, 2001. Section 3062 will apply to all previous acquisitions for fiscal years beginning on or after January 1, 2002.

Section 3500 requires the presentation of basic and diluted earnings per share ("EPS"), calculated using the treasury stock method, on the consolidated statements of earnings. In the first quarter of 2001, the Company implemented this standard retroactively with restatement of the prior period consolidated statements of earnings.

Section 1581 requires the purchase method of accounting for all business combinations and prohibits purchase equation reserves related to the acquirer's business. Section 3062 no longer requires the amortization of goodwill, but instead requires that the book value of goodwill be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its limited life. Intangible assets not subject to amortization will be tested annually for impairment. Any permanent impairment in the book value of goodwill or intangible assets is to be written off against earnings. The Company has implemented both Sections 1581 and 3062 for the purchase equation of the Bestfoods Baking acquisition.

The CICA issued one accounting standard effective for fiscal years beginning on or after January 1, 2002, Section 3870 "Stock-based Compensation and Other Stock-based Payments", which the Company intends

1,118

Employees and Franchised Stores

The Company's strategy is to continue its commitment to operating a diversified business with a strong focus on franchised and company owned stores. The Company's strategy is to continue to invest in its franchisees and to provide them with the support and resources they need to succeed. The Company's strategy is to continue to invest in its franchisees and to provide them with the support and resources they need to succeed.

to implement in the first quarter of 2002. Section 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The Company intends to implement this standard retroactively without restatement of prior periods for employee awards that are a direct award of stock and that specify settlement in cash. The cumulative effect of implementation will be reported in fiscal 2002 as a decrease to consolidated retained earnings of \$76 million, net of future income tax recoverable of \$38 million, which includes the Company's portion of the net decrease to consolidated retained earnings of Loblaw of \$25 million, net of future income tax recoverable of \$23 million and the fair value impact of the equity forward contracts. Going forward, the Company will record an annual charge to the consolidated statements of earnings. Additional disclosures for options granted to employees including disclosure of pro forma net earnings and pro forma EPS as if a fair value based accounting method was used, are required.

In addition, as noted above, for fiscal years beginning on or after January 1, 2002, Section 3062 will become effective for all goodwill and intangible assets existing prior to July 1, 2001. The Company intends to implement this standard in the first quarter of 2002. Excluding the acquisition of Bestfoods Baking, the Company expects the impact of implementing this standard to be an annual increase to net earnings of approximately \$53 million or 40 cents per common share, based on current year goodwill charges, net of tax, and weighted average common shares outstanding.

#### Operating Segments

The Company carries on business through its Food Processing and Food Distribution segments, with each having its own risk profile and risk management strategy.

Food Processing is geographically diverse and focuses on brand development, low production costs and maintenance of a broad customer base. To this end, Food Processing emphasizes market expansion activities, cost reduction initiatives such as commodity derivatives and contracts to manage price fluctuations of key raw materials, maintenance of an appropriate number of focused product lines, and longer production runs to keep production costs as low as possible and service levels high. Operations are strategically located across Canada and east of the Mississippi in the United States and, in the case of fisheries, on both North American coasts and in Chile.

Food Distribution is carried out through Loblaw, an aggressive competitor that manages operating risks through innovation (store design and format and control label product development), realization of cost benefits from economies of scale and by operating across a broad geographic base in Canada. Loblaw pursues a strategy of enhancing profitability on a market-by-market basis by using a multi-format approach. The strategy of owning real estate whenever practical enhances its operating flexibility and also allows Loblaw to benefit from any long term property value appreciation. Also, the development of powerful control label products enhances customer loyalty by offering superior overall value and provides some protection against national brand strategies.





Loblaw's *President's Choice Financial* services, which uses Amicus Bank, a member of the CIBC group of companies, as a service provider for banking services, experienced its fourth year of strong growth since its introduction in 1998. In March, 2001, President's Choice Bank ("the Bank"), a subsidiary of Loblaw, successfully launched the *President's Choice Financial* MasterCard. The Bank manages the *President's Choice Financial* MasterCard accounts and the *PC* loyalty program. The risks associated with these offerings include operational, financing, liquidity, credit and fraud risks. In order to minimize these risks, the Bank and Loblaw actively manage and monitor their relationship with third party service providers, implemented a securitization program and employ operational practices and credit scoring techniques which are considered leading in the industry.

The Company will enter new markets and will review acquisitions, such as the 2001 acquisition of Bestfoods Baking, when opportunities arise. There is inherent risk associated with any acquisition related to the Company's ability to integrate the acquired business and to achieve operating improvements as expected. The risk associated with the Bestfoods Baking acquisition is mitigated by the Company's strong management team and prior acquisition experience. The Company will also exit a particular market, such as the 2001 divestiture of the Connors operations, and reallocate assets elsewhere when there is a strategic advantage in doing so.

Economic and market risks relating to the Company's operating and financing activities include changes in interest rates, foreign currency exchange rates, commodity prices and the market value of the Company's

and Loblaw's common shares. The Company uses financial instruments, specifically interest rate and currency derivative agreements, commodity derivatives and contracts and equity forward contracts, to minimize the risks and costs associated with these activities. The Company maintains treasury centres, which operate under Company approved policies and guidelines covering funding, investing, foreign exchange, commodity and interest rate management. The Company's policies and guidelines restrict it from using any financial instrument for speculative purposes. In addition, the Company has sought to minimize its potential counterparty risk by transacting with counterparties that have a minimum A credit rating and by placing risk adjusted limits on its financial instrument exposure to any one counterparty. In the normal course of business, the Company and Loblaw also enter into certain arrangements such as: providing comfort letters to third party lenders in connection with the financing obtained by certain franchisees (with no recourse liability to the Company) and establishing letters of credit to support certain normal operating activities.

In 2002, the Government of Ontario is planning to deregulate the supply of electricity. In order to mitigate the risk of potential price increases, the Company and Loblaw, provided deregulation occurs, have a three year fixed price contract to purchase \$146 million of electricity (at approximately current market prices) from a company that has a long term debt rating of A from Dominion Bond Rating Service. The effect of this contract is to remove price volatility and to maintain a substantial portion of its electricity costs at the current rates.



The Company's financial statements are prepared in accordance with generally accepted accounting principles. The accompanying balance sheet, income statement, statement of cash flows, and statement of equity and costs of financing are prepared in accordance with the same principles. The Company is on the Standard & Poor's 500 index and is a member of the S&P 500 index.

The Company has good relations with its employees and unions and, although possible, no significant labour disruption is anticipated. The Company, however, is willing to accept the short term costs of labour disruption in order to achieve competitive labour costs for the longer term.

The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of integrated insurance programs. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The integrated insurance programs do not expire for two years, which will limit the Company's exposure to insurance premium increases and restrictions in coverage being instituted in today's environment. The Company combines comprehensive loss prevention programs and the active management of claims handling and litigation processes by using internal professionals and external technical expertise to reduce the risk it retains.

The Company has had for many years food safety procedures that proactively minimize food safety risks to the consumer. In addition, procedures are in place to manage food crises should they occur, which identify risks, ensure that communication with consumers is clear, immediate and precise, and ensure that potentially hazardous products are removed from inventory immediately.

The Company endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship and ecological considerations. Environmental committees throughout the Company meet regularly to monitor and ensure the maintenance of responsible business operations. The Environmental, Health and Safety Committee of the Board of Directors receives reports which review outstanding environmental issues, identify new legislative concerns and outline related communication efforts. Currently, the Company is not aware of any significant environmental liabilities.

For 2002, solid results are expected from the realization of benefits from the George Weston Bakeries integration into the Food Processing segment, as well as continued capital investment for both real estate and control label expansion in the Food Distribution segment. Sales and earnings growth for 2002 will be supported by the 2001 acquisitions in the Food Processing segment and organic growth in the Food Distribution segment and should produce aggregate growth rates slightly higher than those of the past few years.



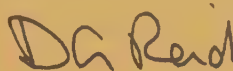
Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced, management maintains a system of internal controls. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf, coordinating this work with the independent auditors. The consolidated financial statements have been audited by the independent auditors, KPMG LLP, whose report follows. Fees paid to KPMG LLP for completion of the 2001 audit of the consolidated financial statements amounted to \$3.1 million. Other fees paid to KPMG LLP in 2001 for professional services other than for the audit of the 2001 consolidated financial statements amounted to \$1.8 million including \$1.4 million related to acquisition and divestiture activities during 2001 and pension plan audits.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are not employees of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. It meets regularly with financial management, internal auditors and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. The independent auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis prior to the Board of Directors approving them for inclusion in the Annual Report.



**Richard J. Currie**  
President



**Donald G. Reid**  
Chief Financial Officer



**Stephen A. Smith**  
Senior Vice President, Controller

Toronto, Canada  
March 7, 2002

**To the Shareholders of George Weston Limited:**

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



**Chartered  
Accountants**



Toronto, Canada  
March 7, 2002

## Consolidated Statements of Earnings

Years ended December 31

(\$ millions)

	2001	2000
<b>Sales</b>	<b>\$ 24,661</b>	<b>\$ 22,344</b>
<b>Operating Expenses</b>		
Cost of sales, selling and administrative expenses	22,790	20,787
Depreciation	431	368
	<b>23,221</b>	<b>21,155</b>
<b>Operating Income</b>	<b>1,440</b>	<b>1,189</b>
Interest expense (income)		
Short term	(21)	(33)
Long term	242	204
	<b>221</b>	<b>171</b>
<b>Unusual Items</b> (notes 3 & 4)	<b>63</b>	
<b>Earnings Before the Following:</b>	<b>1,282</b>	<b>1,018</b>
Income taxes (note 8)		
Provision	436	351
Other	(1)	(41)
	<b>435</b>	<b>310</b>
	<b>847</b>	<b>708</b>
Goodwill charges, net of tax of \$4 (2000 – \$3)	53	52
	<b>794</b>	<b>656</b>
Minority interest	212	175
<b>Net Earnings for the Year</b>	<b>\$ 582</b>	<b>\$ 481</b>
<b>Net Earnings per Common Share (\$)</b>		
Basic	\$ 4.42	\$ 3.66
Diluted (note 2)	\$ 4.37	\$ 3.64
Basic before goodwill charges	\$ 4.82	\$ 4.05

## Consolidated Statements of Retained Earnings

Years ended December 31

(\$ millions)

	2001	2000
<b>Retained Earnings, Beginning of Year</b>	<b>\$ 2,801</b>	<b>\$ 2,525</b>
Impact of adopting new accounting standards (note 1)		(98)
Net earnings for the year	582	481
Premium on common shares purchased for cancellation (note 12)	(1)	(12)
Stock option plan cash payments, net of tax (note 12)	(12)	(1)
Net subsidiary stock option plan cash payments, net of tax (note 12)	(5)	(2)
Dividends declared per common share – 80¢ (2000 – 70¢)	(105)	(92)
<b>Retained Earnings, End of Year</b>	<b>\$ 3,260</b>	<b>\$ 2,801</b>

See accompanying notes to the consolidated financial statements.



# Consolidated Balance Sheets

As at December 31

(\$ millions)

	2001	2000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 5)	\$ 743	\$ 852
Short term investments (note 5)	518	418
Accounts receivable (notes 6 & 7)	863	597
Inventories	1,780	1,594
Business held for sale (note 4)	934	
Current future income taxes (note 8)	168	191
Prepaid expenses and other assets	54	81
	5,060	3,733
<b>Fixed Assets</b> (note 10)	6,255	4,896
<b>Goodwill</b> (note 4)	3,339	2,073
<b>Franchise Investments and Other Receivables</b>	317	198
<b>Future Income Taxes</b> (note 8)	129	77
<b>Intangibles and Other Assets</b> (notes 4, 11 & 13)	1,177	444
	\$ 16,277	\$ 11,421
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 152	\$ 149
Commercial paper	466	703
Accounts payable and accrued liabilities	3,407	2,689
Current income taxes	179	105
Short term bank loans (note 4)	1,367	
Long term debt due within one year (note 11)	82	260
	5,653	3,906
<b>Long Term Debt</b> (note 11)	4,908	2,986
<b>Future Income Taxes</b> (note 8)	122	157
<b>Other Liabilities</b>	591	311
<b>Minority Interest</b>	1,377	1,157
	12,651	8,517
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 12)	305	77
<b>Retained Earnings</b>	3,260	2,801
<b>Cumulative Foreign Currency Translation Adjustment</b>	61	26
	3,626	2,904
	\$ 16,277	\$ 11,421

See accompanying notes to the consolidated financial statements.

Approved by the Board



W. Galen Weston  
Director



Richard J. Currie  
Director

## Consolidated Cash Flow Statements

Years ended December 31

(\$ millions)

	2001	2000
<b>Operations</b>		
Net earnings before minority interest	\$ 794	\$ 656
Depreciation and amortization	488	423
Gain on unusual items (notes 3 & 4)	(63)	
Future income taxes	56	29
Other	(3)	3
	1,272	1,111
Changes in non-cash working capital	(217)	2
<b>Cash Flows from Operating Activities before the following:</b>	<b>1,055</b>	<b>1,113</b>
Acquisition restructuring and other charges, including income tax recoveries	(76)	(68)
<b>Cash Flows from Operating Activities</b>	<b>979</b>	<b>1,045</b>
<b>Investment</b>		
Fixed asset purchases	(1,330)	(1,047)
Short term investments	(100)	(106)
Proceeds from fixed asset sales	52	19
Business acquisitions (note 4)	(2,794)	(242)
Business dispositions (note 3)	330	
Change in franchise investments, other receivables and credit card receivables	(148)	(16)
Net change in other items	(42)	(39)
<b>Cash Flows used in Investing Activities</b>	<b>(4,032)</b>	<b>(1,431)</b>
<b>Financing</b>		
Commercial paper	(237)	60
Short term bank loans (note 4)	1,367	
Long term debt (note 11) – Issued	2,006	760
– Retired	(253)	(113)
Share capital (note 12) – Issued	229	8
– Retired	(1)	(12)
Subsidiary share capital – Issued		12
– Retired	(1)	(13)
Dividends – To shareholders	(105)	(81)
– To minority shareholders	(52)	(26)
Other	(12)	(11)
<b>Cash Flows from Financing Activities</b>	<b>2,941</b>	<b>584</b>
<b>(Decrease) Increase in Cash</b>	<b>(112)</b>	<b>198</b>
<b>Cash, Beginning of Year</b>	<b>703</b>	<b>505</b>
<b>Cash, End of Year</b>	<b>\$ 591</b>	<b>\$ 703</b>
<b>Cash Position</b>		
Cash	\$ 591	\$ 703
Short term investments	518	418
Commercial paper	(466)	(703)
<b>Cash position</b>	<b>\$ 643</b>	<b>\$ 418</b>
<b>Other Cash Flow Information</b>		
Net interest paid	\$ 273	\$ 179
Net income taxes paid	\$ 329	\$ 237

Cash is defined as cash and cash equivalents net of bank indebtedness.

See accompanying notes to the consolidated financial statements.



December 31, 2001

(\$ millions except Share Capital)

## 1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

### Basis of Consolidation

The consolidated financial statements include the accounts of George Weston Limited ("the Company"), including its subsidiaries with provision for minority interests. The Company's effective interest in the voting equity share capital of its subsidiaries is 100%, except for Loblaw Companies Limited ("Loblaw"), which is 61.4% (2000 – 62.9%).

### Revenue Recognition

Food Processing recognizes sales upon delivery of its products to customers net of applicable provisions for discounts and allowances. Food Distribution sales include revenues from customers through corporate stores operated by Loblaw and sales to and service fees from franchised stores, associated stores and independent accounts, but exclude inter-company sales. Loblaw recognizes revenue at the time the sale is made to its customer.

### Net Earnings Per Share ("EPS")

Effective January 1, 2001, the Company adopted the new standard issued by the Canadian Institute of Chartered Accountants ("the CICA") on EPS. The standard was applied retroactively with restatement of the prior period consolidated financial statements. The new standard requires the presentation of basic and diluted EPS on the consolidated statements of earnings regardless of the materiality of the difference between them, calculated using the treasury stock method.

Basic EPS is calculated using the weighted average number of shares outstanding during the year.

### Cash Offsetting

Cash balances which the Company has the ability and intent to offset are used to reduce reported bank indebtedness.

### Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of less than 90 days.

### Credit Card Accounting Policies

#### (i) Credit Card Receivables

Credit card receivables are stated net of an allowance for credit losses.

Interest charges to customers, included in the Company's operating income, is recorded on an accrual basis. A credit card receivable is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Credit card receivables where interest or principal is contractually past due 90 days are automatically recognized as impaired. Any credit card receivable that has a payment that is contractually 180 days in arrears is written off.

#### (ii) Allowance for Credit Losses

The Company through President's Choice Bank ("the Bank"), a wholly owned subsidiary of Loblaw, maintains an allowance for credit losses which, in management's opinion, is considered adequate to absorb all credit-related losses in its portfolio of both on- and off-balance sheet items. The allowance for credit losses is deducted from the related asset category.

General provisions are established to absorb probable credit losses on the aggregate exposures. The general allowance is based upon analysis of past performance, the level of allowance already in place and management's judgement.

The amount of allowance for credit losses that is charged to the consolidated statements of earnings is the net credit loss experience for the year.

*(iii) Securitization*

When the Bank sells credit card receivables in a securitization transaction, it retains servicing rights and a cash reserve account, which represents a portion of the retained interest in the securitized receivables. Any gain or loss on the sale of these receivables depends in part on the previous carrying amount of receivables involved in the transfer, allocated between the assets sold and the retained interest based on this relative fair value at the date of transfer. The fair market values are determined using financial models. Any gain or loss on a sale is recognized at the time of the securitization.

*Inventories (Principally Finished Products)*

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. Other inventories are stated principally at the lower of cost and net realizable value. Cost is determined substantially using the first-in, first-out method.

*Fixed Assets*

Fixed assets are stated at cost including capitalized interest. Depreciation is recorded principally on a straight-line basis to amortize the cost of these assets over their estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings and from 2 to 16 years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and the term of the lease.

*Goodwill and Intangible Assets*

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible assets acquired at the date of acquisition. The fair value of intangible assets, principally brand names and trademarks, is determined at the date of acquisition based on estimated future cash flows.

Effective July 1, 2001, the Company adopted the new standard issued by the CICA on accounting for Goodwill and Intangible Assets for the acquisition of Bestfoods Baking Co., Inc. ("Bestfoods Baking"). The standard is effective for transactions completed on or after July 1, 2001 and is effective January 1, 2002 for all previous acquisitions.

The new standard no longer requires amortization of goodwill, but instead requires that the book value of goodwill be tested annually for impairment. The new standard no longer requires amortization of intangible assets unless the intangible asset has a limited life. Intangible assets not subject to amortization require an annual test for impairment. Any permanent impairment in the book value of goodwill or intangible assets is to be written off against earnings.

For acquisitions completed prior to July 1, 2001, goodwill is amortized on a straight-line basis over the estimated life of the benefit determined for each acquisition.

*Translation of Foreign Currencies*

Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated at the exchange rates in effect at each year end date. The resulting exchange gains or losses are included in the cumulative foreign currency translation adjustment in shareholders' equity. The exchange gains or losses arising from items designated as hedges against these assets and liabilities are also included in the cumulative foreign currency translation adjustment.

Foreign monetary balances of Loblaw and integrated foreign operations are translated at the exchange rates in effect at each year end date and foreign non-monetary balances are translated at their historical exchange rates. Exchange gains or losses arising from the translation of these foreign monetary balances are reflected in the current year's net earnings.

Revenues and expenses denominated in foreign currencies are translated at the average exchange rates for the year.



#### Financial Derivatives

The Company uses interest rate derivatives, currency derivatives and equity derivatives and forward contracts to manage its exposure to fluctuations in interest rates, exchange rates and the market prices of the Company's and Loblaw's common shares. When entered into, these derivatives are designated as hedges of the underlying asset, liability, firm commitment or anticipated transaction. The realized gains or losses arising from interest rate derivatives are included in interest expense. Currency derivative realized gains or losses on hedged commitments or anticipated transactions are deferred and unrealized gains or losses on hedged commitments or anticipated transactions are not recorded in the consolidated financial statements. Currency derivative gains or losses on hedges against the Company's net investment in self-sustaining foreign operations are included in the cumulative foreign currency translation adjustment. Other currency derivative gains or losses are recorded in the consolidated statement of earnings. Equity derivative and forward contract unrealized gains or losses on hedged commitments or anticipated transactions are deferred.

#### Income Taxes

Effective January 1, 2000, the Company adopted the new standard issued by the CICA on accounting for income taxes. The standard was applied retroactively without restatement of the prior period consolidated financial statements. The cumulative effect of adoption was an increase in retained earnings of \$17. The new income tax accounting standard replaced the concept of deferred income taxes with the asset and liability method of tax allocation. Under the asset and liability method, future income taxes are recognized for temporary differences between the tax and accounting bases of the Company's assets and liabilities based on income tax rates and laws that are expected to apply in the periods in which the differences are expected to be realized.

#### Pension, Post-Retirement and Post-Employment Benefits

Effective January 1, 2000, the Company adopted the new standard issued by the CICA on accounting for employee future benefits. The standard was applied retroactively without restatement of the prior period consolidated financial statements. The cumulative effect of adoption was a decrease in retained earnings of \$115 (net of future income tax of \$82). Under the new standard, the cost of the Company's defined benefit pension plans, post-retirement health and life insurance and other post-employment benefits is accrued as earned, based on actuarial valuations. Market values are used to value pension fund assets. Past service costs from plan amendments and the excess net actuarial gain or loss over 10% of the greater of the accrued benefit plan obligation and the market value of the plan assets are amortized on a straight-line basis over the average remaining service period of the active employees. Employee future benefits are measured using market interest rates on high quality debt instruments. The cost of pension benefits for defined contribution plans is expensed as contributions are paid. Multi-employer defined benefit pension plans are accounted for as defined contribution plans.

#### Stock Option Plan

The Company has a stock option plan as described in Note 12. Consideration paid by employees on the exercise of a stock option is credited to common share capital. For those employees electing to receive the cash differential, the excess of the market price of the common shares at the date of exercise over the specified stock option price, net of the related taxes, is charged to retained earnings.

#### Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future.

#### Comparative Figures

Certain prior year's information was reclassified to conform with the current year's presentation.

**2. Diluted Net Earnings Per Common Share**

	2001			2000		
	Net Earnings (1)	Weighted Average Number of Common Shares (millions)	Per Common Share Amount (\$)	Net Earnings	Weighted Average Number of Common Shares (millions)	Per Common Share Amount (\$)
Basic net earnings						
per common share	\$ 581	131.5	\$ 4.42	\$ 481	131.5	\$ 3.66
Dilutive effect of stock options		1.3	(.05)		0.8	(.02)
Diluted net earnings						
per common share	\$ 581	132.8	\$ 4.37	\$ 481	132.3	\$ 3.64

(1) Adjusted for preferred share dividends of \$1.

**3. Business Dispositions**

In 2001, the Company completed the sale of 4.2 million of its Loblaw common shares at a price of \$48.50 per common share for net proceeds of \$195 pursuant to a Prospectus filed by Loblaw. This sale reduced the Company's ownership in Loblaw to 61% from 63% and resulted in a gain of \$142 included in unusual items. Income taxes of \$25 applicable to this gain were included in income taxes.

Also during 2001, the Company completed the sale of its Connors canned sardine business by filing a Prospectus for an initial public offering of the Connors Bros. Income Fund, which closed on November 8, 2001. In addition, during 2001, the Company also completed the sale of its Connors seafood processing operations based in Scotland. The net proceeds for these transactions were \$148, including net proceeds receivable during 2002 of \$13. A \$35 loss on these sales was recorded and included in unusual items.

**4. Business Acquisitions**

On July 30, 2001, the Company purchased all of the issued and outstanding common shares of Bestfoods Baking and certain trademarks used in the business of Bestfoods Baking for \$2.78 billion (U.S. \$1.79 billion) cash. The cash consideration was financed by way of an unsecured credit facility with a series of tranches maturing between 9 and 15 months from July 25, 2001, the date of the advance. The business was renamed George Weston Bakeries Inc.

Following the acquisition, the Company announced that it would begin exploring opportunities to sell the Western operations of Bestfoods Baking consisting of the *Oroweat* brand and related assets, including bakeries in Texas, Colorado, California and Oregon (collectively, "BF West"). Accordingly, the net assets of BF West have been recorded at their net realizable value and included within current assets as Business held for sale. Subsequent to year end, the Company completed the sale of BF West to Grupo Bimbo, S.A. de C.V. for U.S. \$610 (approximately Cdn. \$950). This sale transaction and the net earnings for BF West (including interest on the unsecured credit facility attributable to BF West) have been recorded as part of the Bestfoods Baking purchase equation.

The acquisition was accounted for using the purchase method. During the fourth quarter of 2001, the Company completed the Bestfoods Baking valuation analysis and recorded the purchase equation including goodwill of \$1.32 billion. Operating results of Bestfoods Baking have been included in the Company's consolidated financial statements since July 30, 2001 excluding the results of the Western operations being sold. The July 30, 2001 U.S. dollar balance sheet of Bestfoods Baking was translated at the exchange rate in the currency derivative agreements used to hedge the purchase consideration.

In accordance with the new CICA accounting standard, Section 3062 "Goodwill and Other Intangible Assets", no amortization of goodwill has been recorded. The intangible assets acquired do not have a limited life and are not subject to amortization in accordance with Section 3062.



Details of the Bestfoods Baking purchase equation, including total consideration paid and net assets acquired at their fair values, are summarized in the following table:

	As at July 30, 2001
Current assets	\$ 189
Business held for sale	952
Fixed assets	548
Intangibles and other assets (principally trademarks of \$626)	735
Current liabilities	(746)
Long term debt	(2)
Other liabilities	(218)
Net assets acquired (including acquisition integration charges)	1,458
Goodwill	1,322
Cash consideration (including acquisition costs of \$26, net of cash assumed of \$25)	\$ 2,780

As part of the Bestfoods Baking acquisition, the Company developed a plan for integration and reorganization of administrative, manufacturing and distribution assets and activities. A restructuring charge of \$44 (\$27 net of applicable income taxes) has been included in unusual items, relating to the integration of its existing U.S. food processing business.

In 2000, the Company acquired three specialty bakeries, two baked ice cream cone businesses and two fisheries for \$247 cash, resulting in goodwill of \$192. All acquisitions were accounted for using the purchase method. The fair value of the net assets acquired was \$55, including fixed assets of \$60, other assets of \$55 and liabilities of \$60. The value of the net assets acquired and the results of operations, since the dates of acquisition, have been included in the Company's consolidated financial statements. The goodwill arising on these transactions is being amortized over 40 years.

#### Other Acquisitions

Purchases by Loblaw of its common shares are recorded by the Company as step acquisitions of Loblaw. During 2001, Loblaw purchased 12,600 (2000 – 276,000) of its common shares for \$1 (2000 – \$13) pursuant to its Normal Course Issuer Bids, resulting in nominal goodwill (2000 – \$6) recorded by the Company.

During 2000, the Company purchased 292,000 common shares of Loblaw for \$10, representing fair market value, from certain directors and officers of the companies, resulting in goodwill of \$7.

#### 5. Cash, Cash Equivalents and Short Term Investments

Cash, cash equivalents, short term investments, bank indebtedness and the Company's commercial paper program form an integral part of the Company's cash management.

At year end, the Company had \$1.26 billion (2000 – \$1.27 billion) in cash, cash equivalents and short term investments held or managed by Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of Loblaw in Barbados. Short term investments are carried at the lower of cost or quoted market value and consist primarily of United States government securities, commercial paper, bank deposits and repurchase agreements. The income from these investments of \$60 (2000 – \$71) has been included as a reduction of short term interest expense.

#### 6. Credit Card Receivables

Details of credit card receivables included in accounts receivable are as follows:

	2001
Credit card receivables	\$ 166
Amount securitized	(112)
Net credit card receivables	\$ 54

**7. Securitization**

During 2001, Loblaw received net cash flows of \$111 (plus \$1 in retained interest) relating to the securitization of credit card receivables, yielding a minimal gain, inclusive of a \$3 servicing liability, on the initial sale. The following table shows the key economic assumptions used in measuring the securitization gain:

	2001
Payment rate (monthly)	50%
Expected credit losses (annual)	3.5%
Discounted residual cash flows (annual)	18%

**8. Income Taxes**

The Company's effective income tax rate in the consolidated statements of earnings is at a rate less than the combined basic Canadian federal and provincial income tax rate for the following reasons:

	2001	2000
Combined basic Canadian federal and provincial income tax rate	41.4%	42.1%
Net decrease resulting from:		
Operating in countries with lower effective income tax rates	(5.1)	(5.4)
Non-taxable amounts for capital gains/losses and dividends	(2.4)	(0.5)
Other	0.1	(1.7)
	34.0	34.5
Substantially enacted changes in income tax rates	(0.1)	(4.2)
Effective income tax rate before goodwill charges	33.9	30.3
Non-deductible goodwill charges	1.3	1.6
Effective income tax rate	35.2%	31.9%

The cumulative effects of changes in Canadian federal or provincial income tax rates on future income tax assets or liabilities are included in the Company's consolidated financial statements at the time of substantial enactment. In 2001, the effect of the reduction in the Ontario provincial income tax rate of 1.5% in each of 2002, 2003, 2004 and 2005 was reported as \$1 reduction to future income tax expense. In 2000, the effects of the reduction in the Canadian federal income tax rates of 1% in 2001 and 2% in each of 2002, 2003 and 2004 and the reductions in capital gains/losses inclusion rate from three-quarters to two-thirds for all capital gains/losses realized after February 27, 2000 and to one-half for all capital gains/losses realized after October 18, 2000 as well as the changes in the Ontario and Alberta Provincial budgets, were reported as a \$41 reduction to future income tax expense.

The income tax effects of temporary differences that gave rise to significant portions of the future income tax assets and future income tax liabilities are presented below:

	2001	2000
<b>Future Income Tax Assets</b>		
Accounts payable and accrued liabilities	\$ 303	\$ 179
Long term debt (including amounts due within one year)	14	20
Other liabilities	101	56
Losses carried forward (expiring 2004 to 2020)	99	83
Other	23	31
	540	369
Valuation allowance	(185)	(32)
	\$ 355	\$ 337
<b>Future Income Tax Liabilities</b>		
Fixed assets	\$ 133	\$ 141
Goodwill	24	6
Intangibles and other assets	23	79
	\$ 180	\$ 226



## 9. Pension, Post-Retirement and Post-Employment Benefits

The Company has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees. The Company also participates in various multi-employer defined benefit plans providing pension benefits.

Information about the Company's defined benefit plans other than the multi-employer defined benefit plans, in aggregate, is as follows:

	2001		2000	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
<b>Benefit Plan Assets</b>				
Fair value, beginning of year	\$ 1,305	\$ 16	\$ 1,143	\$ 15
Actual return on plan assets	(172)		252	1
Employer contributions	10	15	16	14
Employees' contributions	4		4	
Benefits paid	(81)	(13)	(81)	(14)
Acquisitions	130			
Divestitures	(24)			
Settlement gain	(3)		(27)	
Other	6		(2)	
Fair value, end of year	\$ 1,175	\$ 18	\$ 1,305	\$ 16
<b>Accrued Benefit Plan Obligations</b>				
Balance, beginning of year	\$ 1,105	\$ 164	\$ 1,172	\$ 165
Current service cost	36	9	34	7
Interest cost	82	13	77	11
Benefits paid	(81)	(13)	(81)	(14)
Actuarial gains	(29)	(7)	(68)	(5)
Plan amendments	6			
Acquisitions	121	60		
Divestitures	(23)			
Settlement gain	(3)		(29)	
Other	9	3		
Balance, end of year	\$ 1,223	\$ 229	\$ 1,105	\$ 164
<b>Funded Status</b>				
Net benefit plan (deficit) surplus	\$ (48)	\$ (211)	\$ 200	\$ (149)
Unamortized past service costs	7			
Unamortized net actuarial losses (gains)	24	(10)	(233)	(5)
Net accrued benefit plan liability	\$ (17)	\$ (221)	\$ (33)	\$ (154)
<b>Net Benefit Plan Expense</b>				
Current service cost	\$ 32	\$ 9	\$ 30	\$ 7
Interest cost	82	13	77	11
Expected return on plan assets	(107)	(1)	(87)	(1)
Amortization of net actuarial gains	(8)	(1)		
Settlement loss (gain)	2		(2)	
Net benefit plan expense	\$ 1	\$ 20	\$ 18	\$ 17

At year end, the net aggregate accrued benefit plan obligations for those pension benefit plans in which the accrued benefit plan obligations exceeded the fair value of benefit plan assets was \$101 (2000 – \$53). There were no plan assets in the non-registered pension plans. All the Company's post-retirement benefit plans, other than pensions and long term disability benefits, also had no plan assets and at year end 2001, had a net aggregate benefit plan deficit of \$211 (2000 – \$149).

The significant actuarial weighted average assumptions used to determine the Company's accrued benefit plan obligations were as follows:

	2001		2000	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Discount rate	7.5%	7.5%	7%	7%
Rate of compensation increase	3.5%		3%	
Growth rate of health care costs	4.5%		4%	

The expected long term rate of return on plan assets for pension benefit plans and other benefit plans used in calculating the Company's net benefit plan expense were 8% and 7%, respectively (2000 – 8% and 6.75%).

The accrued benefit plan obligations and the fair values of the benefit plan assets were determined using a September 30 measurement date.

The total net expense for the Company's benefit plans is summarized as follows:

	2001		2000	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Net defined benefit plan	\$ 1	\$ 20	\$ 18	\$ 17
Defined contribution plan	5		5	
Multi-employer plan	58		39	
	\$ 64	\$ 20	\$ 62	\$ 17

## 10. Fixed Assets

	2001			2000		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	\$ 248		\$ 248	\$ 217		\$ 217
Properties under development	206		206	192		192
Land	1,171		1,171	948		948
Buildings	2,957	\$ 588	2,369	2,382	\$ 543	1,839
Equipment and fixtures	3,739	1,874	1,865	2,984	1,639	1,345
Leasehold improvements	592	217	375	516	183	333
	8,913	2,679	6,234	7,239	2,365	4,874
Capital leases – buildings and equipment	87	66	21	82	60	22
	\$ 9,000	\$ 2,745	\$ 6,255	\$ 7,321	\$ 2,425	\$ 4,896

Interest capitalized to fixed assets during the year was \$27 (2000 – \$20).



## 11. Long Term Debt

	2001	2000
<b>George Weston Limited</b>		
Debentures		
Series A, 7.45%, due 2004	\$ 200	\$ 200
Series A, 7.00%, due 2031 (i)	466	
Exchangeable Debentures, 3%, due 2023, redeemable in 2005 (ii)		
Carrying amount	579	491
Deferred amount	(204)	(116)
Notes		
5.25%, due 2006	200	
6.45%, due 2011	300	
12.70%, due 2030		
Principal	150	150
Effect of coupon repurchase	(120)	(119)
Other at a weighted average interest rate of 9.62%, due 2002 to 2019	5	4
<b>Loblaw Companies Limited</b>		
Debentures		
Series 5, 10%, due 2006, retractable annually commencing 1996, redeemed in 2001 (iii)		50
Series 8, 10%, due 2007, redeemable in 2002 (iv)	61	61
Notes		
7.34%, due 2001		100
6.20%, BA Range Note, due 2002	10	10
6.60%, due 2003	100	100
6.95%, due 2005	200	200
6.00%, due 2008	390	
5.75%, due 2009	125	125
7.10%, due 2010	300	300
6.50%, due 2011	350	
6.00%, due 2014	100	100
7.10%, due 2016	300	
6.65%, due 2027	100	100
6.45%, due 2028	200	200
6.50%, due 2029	175	175
11.40%, due 2031		
Principal	151	151
Effect of coupon repurchase	1	6
8.75%, due 2033	200	200
6.45%, due 2039	200	200
7.00%, due 2040	150	150
Provigo Inc. Debentures		
Series 1991, 11.25%, due 2001		100
Series 1997, 6.35%, due 2004	100	100
Series 1996, 8.70%, due 2006	125	125
Other (v)	17	22
Other at a weighted average interest rate of 10.49%, due 2002 to 2040	59	61
Total long term debt	4,990	3,246
Amount due within one year	(82)	(260)
	\$ 4,908	\$ 2,986

The 5 year schedule of repayment of long term debt based on maturity, excluding the Exchangeable Debentures, is as follows: 2002 – \$82; 2003 – \$107; 2004 – \$308; 2005 – \$215; 2006 – \$329.

(i) During 2001, the Company issued \$466 of 7.00% Series A Debentures due 2031. Subsequent to year end, the Company issued \$8 of Series B Debentures at a weighted average rate of 2.61% due on demand. The Series A and B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

(ii) In 1998, the Company sold its Forest Products business (E.B. Eddy) to Domtar Inc. ("Domtar") for proceeds of \$803 consisting of \$435 of cash and \$368 of Domtar common shares. The Domtar common shares are included in intangibles and other assets. The Company subsequently issued \$375 of 3% Exchangeable Debentures due June 30, 2023. Each one thousand dollar principal amount of the 3% debentures is exchangeable at the option of the holder for 95.2381 common shares of Domtar. The 3% debentures are redeemable at the option of the Company after June 30, 2005. Upon notice of redemption by the Company or within 30 days prior to the maturity date, the holder has the option to exchange each one thousand dollar principal amount for 95.2381 Domtar common shares plus accrued interest payable in cash.

The Company's obligation on the exchange or redemption of these debentures can be satisfied by delivery of a cash amount equivalent to the current market value of Domtar common shares at such time, the Domtar common shares or any combination thereof. Upon maturity, the Company at its option may deliver cash, the Domtar common shares or any combination thereof equal to the principal amount plus accrued interest.

The carrying amount of these debentures is based on the market price of the underlying Domtar common shares at the reporting date. As a result of issuing these debentures, the investment in Domtar is effectively hedged, whereby the difference between the carrying amount and the original issue amount of the debentures is recorded as a deferred charge until exchange, redemption or maturity. No corresponding valuation adjustment is made to the investment.

(iii) During 2001, Loblaw redeemed its Series 5, \$50 10% Debentures in accordance with their terms.

(iv) Subsequent to year end 2001, the Company issued \$250 of Medium Term Notes ("MTN") with an interest rate of 5.90% due 2009 and \$150 of MTN with an interest rate of 7.10% due 2032. In addition, subsequent to year end, Loblaw announced its intention to redeem, in 2002, the Series 8, \$61 10% Debentures due 2007 and issued \$200 of MTN with an interest rate of 6.85% due 2032.

(v) Provigo Inc. Debentures – Other of \$17 (2000 – \$22) represents the unamortized portion of the adjustment to fair value the Provigo Debentures. This adjustment was recorded as part of the Provigo purchase equation and was calculated using Loblaw's average credit spread applicable to the remaining life of the Provigo Debentures. The adjustment is being amortized over the remaining term of the Provigo Debentures.

## 12. Share Capital (\$)

	2001	2000
Common share capital (\$ millions)	\$ 77	\$ 77
Preferred shares, Series 1 (\$ millions)	228	
	\$ 305	\$ 77
Common shares issued and outstanding (authorized – unlimited)	131,467,907	131,458,543
Weighted average common shares outstanding	131,469,062	131,472,310



Preferred Shares, Series 1 (authorized – unlimited)

During 2001, the Company issued 9.4 million 5.80% Preferred Shares, Series 1 for \$25.00 per share for net proceeds of \$228 million, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.45 per share per annum. The Company may at its option redeem for cash, in whole or in part, these preferred shares outstanding as follows:

On or after December 15, 2006	\$26.00 per share
On or after December 15, 2007	\$25.75 per share
On or after December 15, 2008	\$25.50 per share
On or after December 15, 2009	\$25.25 per share
On or after December 15, 2010	\$25.00 per share

Stock Option Plan

The Company maintains a stock option plan for certain employees. Under the plan, the Company may grant options for up to 7 million common shares. Stock options have terms of up to 7 years, are exercisable at the designated common share price and vest 20% cumulatively on each anniversary date of the grant after the first anniversary. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option and, for those options granted after 1997, option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price.

In 2001, the Company issued 16,600 common shares (2000 – 627,551) for cash consideration of \$.3 million (2000 – \$8 million) on the exercise of stock options and paid the share appreciation value of \$12 million (2000 – \$1 million), net of tax of \$5 million (2000 – \$.6 million), on 298,867 stock options (2000 – 60,750). Subsidiary stock option plan payments were \$5 million (2000 – \$4 million), net of tax of \$4 million (2000 – \$3 million).

A summary of the status of the Company's stock option plan and activity is presented below:

	2001		2000	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	2,614,966	\$ 41.903	2,542,436	\$ 31.933
Granted	126,825	\$ 78.850	803,271	\$ 50.084
Exercised	(315,467)	\$ 40.460	(688,301)	\$ 14.750
Forfeited/cancelled	(5,800)	\$ 45.966	(42,440)	\$ 39.800
Outstanding options, end of year	2,420,524	\$ 44.018	2,614,966	\$ 41.903
Options exercisable, end of year	898,675	\$ 39.181	680,949	\$ 37.593

	2001			2000	
	Outstanding Stock Options			Exercisable Stock Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
Range of Exercise Prices (\$)					
\$ 37.667 – \$ 55.250	2,271,334	4	\$ 41.881	894,202	\$ 39.059
\$ 63.500 – \$ 78.850	149,190	6	\$ 76.549	4,473	\$ 63.500

#### Normal Course Issuer Bids ("NCIB")

During 2001, the Company purchased for cancellation 8,100 (2000 – 220,000) of its common shares for \$1 million (2000 – \$12 million) pursuant to its NCIB. In addition, the Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity derivative contracts to purchase up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its shares at the then market prices of such shares.

### 13. Financial Instruments

#### Currency Derivatives

The Company manages its exposure to fluctuations in exchange rates, principally on United States dollar denominated revenues, using currency derivatives.

The Company has entered into currency derivative agreements to exchange \$3.22 billion (2000 – \$221) of its Canadian dollar debt for United States dollar debt. The derivatives are a hedge against exchange rate fluctuations on the Company's United States dollar denominated net assets, excluding Loblaw's United States dollar denominated net assets. The derivatives mature as follows: 2003 – \$97; 2004 – \$157; thereafter – \$2.96 billion and may be extended at the option of the Company or the counterparties. At year end, a currency adjustment was included in cumulative foreign currency translation adjustment.

Loblaw has entered into currency derivative agreements to exchange \$1.02 billion (2000 – \$915) of its Canadian dollar debt for United States dollar debt. The derivatives are a hedge against exchange rate fluctuations on Loblaw's United States dollar denominated net assets, principally cash equivalents and short term investments. The derivatives mature as follows: 2002 – \$90; 2003 – \$49; 2004 – \$344; 2005 – \$64; thereafter to 2016 – \$474. Currency adjustments receivable or payable arising from the derivatives may be settled in cash on maturity or the term may be extended. At year end, an unrealized currency adjustment of \$96 (2000 – \$57) was included in other liabilities and the consolidated statements of earnings.

#### Interest Rate Derivatives

The Company has entered into interest rate derivative agreements converting a net notional \$75 (2000 – \$75) of 6.7% (2000 – 6.7%) of its fixed rate debt into floating rate debt, which mature in 2004. Loblaw has entered into interest rate derivative agreements converting a net notional \$883 (2000 – \$693) of 6.88% (2000 – 6.95%) of its fixed rate debt into floating rate debt. The net maturities are as follows: 2002 – \$16; 2003 – \$188; 2004 – \$281; 2005 – \$161; thereafter to 2013 – \$237.

#### Equity Derivatives and Forward Contracts

The Company and Loblaw use equity derivatives to manage their exposure to fluctuations in the market price of their common shares.

During 2001, the Company entered into an equity derivative agreement based on 9.6 million Loblaw common shares (the "underlying Loblaw common shares") at a forward price of \$48.99 per Loblaw common share, which increases over time at a rate equivalent to the forward rate. The derivative matures in 2031 and will be settled in cash as follows: the Company will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of the Company under this derivative is secured by the underlying Loblaw common shares. At year end, the Company had an obligation under the equity derivative contract of \$29, included in other liabilities, with a deferred loss of \$34 included in intangibles and other assets.

At year end, Loblaw had entered into equity forward contracts based on 3,300,000 (2000 – 2,750,200) of its common shares at an average forward price of \$42.70 (2000 – \$38.66) per share. The method of settlement, cash or common shares, is at Loblaw's discretion.

Subsequent to year end 2001, the Company entered into equity derivative agreements based on 78,300 of its common shares at an average price of \$103.00 per share.



### Counterparty Risk

Changes in the underlying exchange rates, interest rates and market value of the Company's common shares related to the Company's financial instruments will result in market gains and losses. Furthermore, the Company may be exposed to losses should any counterparty to its derivative contracts fail to fulfill its obligations. The Company has sought to minimize potential counterparty losses by transacting with counterparties that have a minimum A rating and placing risk adjusted limits on its exposure to any single counterparty. The Company has implemented internal policies, controls and reporting processes permitting ongoing assessment and corrective action respecting its derivative activity. In addition, principal amounts on currency and equity derivatives and forward contracts are netted by agreement and there is no exposure to loss of the notional principal amounts on the interest rate and equity derivatives and forward contracts.

### Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to terminate the contracts at the reporting date. The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

- The fair values of cash, cash equivalents, short term investments, accounts receivable, bank indebtedness, commercial paper, accounts payable and accrued liabilities approximated their carrying values given their short term maturities.
- The fair values of long term debt issues were estimated based on the discounted cash payments of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities.
- The fair value of the Exchangeable Debentures was estimated based on the market price, at the reporting date, of the underlying Domtar common shares.
- The fair values of interest rate derivatives were estimated by discounting cash payments of the derivatives at market rates for derivatives of the same remaining maturities.
- The fair values of foreign exchange contracts were estimated based on the market spot and forward exchange rates and, where appropriate, option volatility for foreign exchange contracts of the same remaining maturities.
- The fair values of equity derivatives and forward contracts were estimated by multiplying the total outstanding agreements and contracts based on its common shares by the difference between the market price of its common shares and the average forward price of the outstanding agreements and contracts at year end.

	2001		2000	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long term debt	\$ 4,990	\$ 5,377	\$ 3,246	\$ 3,438
Long term debt, excluding Exchangeable Debentures	\$ 4,615	\$ 4,798	\$ 2,871	\$ 2,947
Interest rate derivatives net asset		\$ 53		\$ 17
Equity derivative and forward contracts net asset		\$ 1		\$ 33

#### 14. Other Information

##### Contingent Liabilities and Commitments

The Company and its subsidiaries are involved in and potentially subject to various claims and litigation arising out of the ordinary course and conduct of their businesses including product liability, labour and employment, environmental and tax. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such litigation to be material to these consolidated financial statements.

Commitments for net operating lease payments total \$1.15 billion (\$1.39 billion less \$242 of expected sub-lease income). Net payments for each of the next 5 years and thereafter are as follows: 2002 – \$157 (net of \$48 of expected sub-lease income); 2003 – \$142 (net of \$41 of expected sub-lease income); 2004 – \$130 (net of \$37 of expected sub-lease income); 2005 – \$111 (net of \$32 of expected sub-lease income); 2006 – \$94 (net of \$27 of expected sub-lease income); thereafter to 2051 – \$516 (net of \$57 of expected sub-lease income).

Gross rentals under leases assigned to others for which the Company is contingently liable amount to \$242.

##### Related Party Transactions

The Company's majority shareholder, Wittington Investments, Limited, and its subsidiaries are related parties. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms.

Pursuant to an investment management agreement, Glenhuron manages certain United States cash, cash equivalents and short term investments on behalf of wholly owned non-Canadian subsidiaries of the Company. Management fees were based on market rates and were eliminated upon consolidation.



## 15. Segmented Information

### Reportable Segments

The Company has two reportable segments: Food Processing, primarily fresh and frozen baking, biscuit and dairy operations, as well as fresh farmed salmon operations; and Food Distribution, carried on by Loblaw. The accounting policies of the segments are the same as those described in the Company's summary of significant accounting policies. Performance is evaluated based on operating income. Neither segment is reliant on any single external customer.

	2001	2000
<b>Sales</b>		
Food Processing	\$ 3,808	\$ 2,771
Food Distribution	21,486	20,121
Inter Group	(633)	(548)
Consolidated	\$ 24,661	\$ 22,344
<b>Operating Income</b>		
Food Processing	\$ 312	\$ 221
Food Distribution	1,128	968
Consolidated	\$ 1,440	\$ 1,189
<b>Depreciation and Goodwill Amortization</b>		
Food Processing	\$ 129	\$ 96
Food Distribution	359	327
Consolidated	\$ 488	\$ 423
<b>Total Assets <sup>(1)</sup></b>		
Food Processing	\$ 5,954	\$ 1,957
Food Distribution	9,955	9,096
Consolidated	\$ 15,909	\$ 11,053
<b>Fixed Assets and Goodwill Purchases</b>		
Food Processing	\$ 1,561	\$ 297
Food Distribution	1,110	956
Consolidated	\$ 2,671	\$ 1,253

### Geographic Segments

The Company operates primarily in Canada and the United States.

	2001	2000
<b>Sales (Excluding Inter Group)</b>		
Canada	\$ 22,071	\$ 20,708
United States	2,590	1,636
Consolidated	\$ 24,661	\$ 22,344
<b>Fixed Assets and Goodwill</b>		
Canada	\$ 6,895	\$ 6,191
United States	2,699	778
Consolidated	\$ 9,594	\$ 6,969

(1) Excludes the \$368 investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures (see Note 11).

## Consolidated Information

(\$ millions)	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Sales and Earnings</b>											
Sales	24,661	22,344	20,851	14,726	12,975	11,815	12,046	12,242	11,404	11,167	10,342
Trading profit (EBITDA)	1,871	1,557	1,319	917	738	623	596	524	427	395	433
Operating income	1,440	1,189	969	655	517	432	396	324	253	228	287
Interest expense	221	171	136	104	73	84	102	106	90	100	115
Net earnings	582	481	351	670	197	194	97	71	11	44	101
<b>Financial Position</b>											
Working capital	(593)	(173)	(147)	(410)	77	97	125	(26)	44	138	338
Fixed assets	6,255	4,896	4,204	3,839	3,321	2,901	2,672	2,677	2,462	2,129	1,996
Goodwill	3,339	2,073	1,923	1,587	83	85	76	84	96	96	88
Total assets	16,277	11,421	10,049	9,036	5,878	5,441	5,122	4,787	4,459	3,995	3,829
Total debt	5,714	2,828	2,446	2,295	1,022	804	743	929	874	727	723
Shareholders' equity	3,626	2,904	2,618	2,389	1,756	1,615	1,506	1,353	1,238	1,262	1,222

## Cash Flows

Cash flows from operating activities before acquisition restructuring and other charges	1,055	1,113	947	588	452	327	381	448	344	307	288
Capital investment	1,330	1,047	911	720	595	499	431	452	387	239	234

(1) Financial terms and ratios are defined as follows:

- Trading profit (EBITDA) – operating income before depreciation.
- Working capital – current assets less current liabilities.
- Total debt – bank indebtedness, commercial paper, short term bank loans, long term debt due within one year, long term debt and debt equivalents less cash, cash equivalents and short term investments.
- Dividend rate per common share (year end) – 4<sup>th</sup> quarter common dividends declared multiplied by 4.
- Cash flows from operating activities before acquisition restructuring and other charges per common share – cash flows from operating activities before acquisition restructuring and other charges less preferred dividends paid divided by the weighted average common shares outstanding.
- Capital investment per common share – capital investment divided by the weighted average common shares outstanding.
- Book value per common share – shareholders' equity divided by the common shares outstanding at year end.
- Trading profit return on sales – trading profit divided by sales.
- Operating income return on sales – operating income divided by sales.
- Net earnings, excluding unusual items, net of tax, return on sales – net earnings, excluding unusual items, net of tax, divided by sales.
- Return on average total assets – operating income divided by average total assets excluding cash, cash equivalents, short term investments and Business held for sale.
- Return on average common shareholders' equity – net earnings divided by average shareholders' equity.
- Interest coverage on total debt – operating income divided by interest expense.
- Total debt to shareholders' equity – total debt divided by shareholders' equity.
- Cash flows from operating activities before acquisition restructuring and other charges to total debt – cash flows from operating activities before acquisition restructuring and other charges divided by total debt.
- Price/net earnings ratio (year end) – market value per common share divided by basic net earnings per common share.
- Market/book ratio (year end) – market value per common share divided by book value per common share.
- Total debt, excluding Exchangeable Debentures, to shareholders' equity – total debt, excluding Exchangeable Debentures, divided by shareholders' equity.

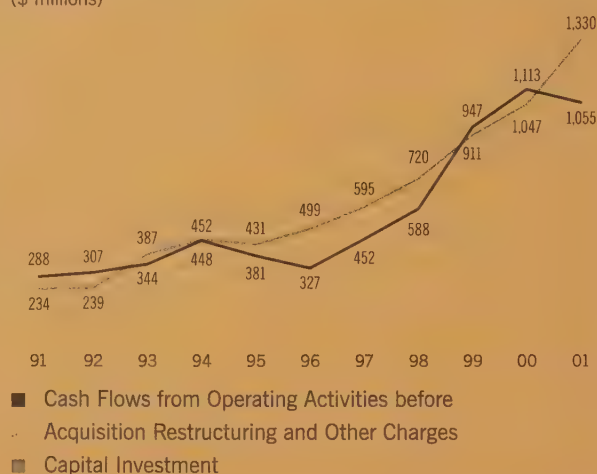
## Capital Structure

(\$ millions)



## Cash Flows from Operating Activities and Capital Investment

(\$ millions)





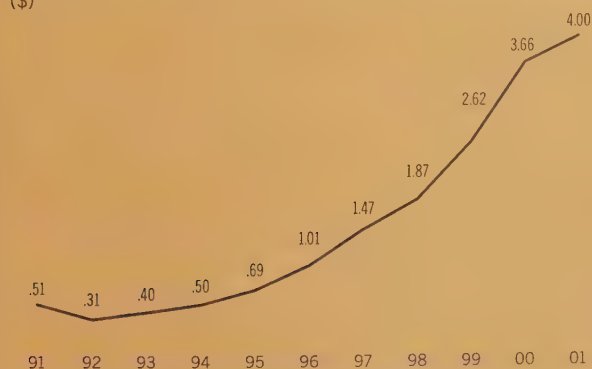
## Consolidated Information

(\$ millions)	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Per Common Share (\$)</b>											
Basic net earnings	<b>4.42</b>	3.66	2.67	5.05	1.47	1.41	.69	.50	.08	.31	.73
Basic net earnings, excluding unusual items and goodwill charges, both net of tax	<b>4.40</b>	4.05	2.99	1.92	1.49	1.03	.78	.57	.46	.35	.56
Basic net earnings, excluding unusual items, net of tax	<b>4.00</b>	3.66	2.62	1.87	1.47	1.01	.69	.50	.40	.31	.51
Dividend rate (year end)	<b>.80</b>	.80	.48	.40	.33	.29	.27	.23	.23	.23	.23
Cash flows from operating activities before acquisition restructuring and other charges	<b>8.02</b>	8.47	7.19	4.43	3.37	2.37	2.69	3.18	2.45	2.20	2.07
Capital investment	<b>10.11</b>	7.96	6.92	5.43	4.43	3.61	3.05	3.21	2.76	1.71	1.68
Book value	<b>27.58</b>	22.09	19.98	18.14	13.16	11.87	10.66	9.58	8.81	9.03	8.77
Market value (year end)	<b>103.40</b>	84.10	55.25	58.50	40.67	22.28	16.75	14.08	13.00	12.25	12.25

## Financial Ratios

Returns on sales (%)											
Trading profit (EBITDA)	<b>7.6</b>	7.0	6.3	6.2	5.7	5.3	4.9	4.3	3.7	3.5	4.2
Operating income	<b>5.8</b>	5.3	4.6	4.4	4.0	3.7	3.3	2.6	2.2	2.0	2.8
Net earnings, excluding unusual items, net of tax	<b>2.1</b>	2.2	1.6	1.7	1.5	1.2	.8	.6	.5	.4	.7
Return on average total assets (%)	<b>11.9</b>	12.4	11.2	9.7	10.4	9.5	8.9	7.5	6.4	6.2	8.0
Return on average common shareholders' equity (%)	<b>17.8</b>	17.4	14.0	32.3	11.7	12.4	6.8	5.5	.9	3.5	8.4
Interest coverage on total debt	<b>6.5</b>	7.0	7.1	6.3	7.1	5.1	3.9	3.1	2.8	2.3	2.5
Total debt to shareholders' equity	<b>1.58</b>	.97	.93	.96	.58	.50	.49	.69	.71	.58	.59
Total debt, excluding Exchangeable Debentures, to shareholders' equity	<b>1.47</b>	.84	.79	.80	.58	.50	.49	.69	.71	.58	.59
Cash flows from operating activities before acquisition restructuring and other charges to total debt	<b>.18</b>	.39	.39	.26	.44	.41	.51	.48	.39	.42	.40
Price/net earnings ratio (year end)	<b>23.4</b>	23.0	20.7	10.1	22.4	12.9	12.5	17.0	185.7	43.2	20.3
Market/book ratio (year end)	<b>3.7</b>	3.8	2.8	3.2	3.1	1.9	1.6	1.5	1.5	1.4	1.4

Basic Net Earnings per Common Share,  
Excluding Unusual Items, Net of Tax  
(\$)



■ Basic Net Earnings per Common Share,  
Excluding Unusual Items, Net of Tax

Common Share Market Value Range  
(\$)



■ Market High  
■ Market Low

## Segmented Information

(\$ millions)	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
<b>Sales</b>											
Food Processing	3,808	2,771	2,578	2,687	2,399	2,374	2,611	2,666	2,414	2,227	2,088
Food Distribution	21,486	20,121	18,783	12,497	11,008	9,848	9,854	10,000	9,356	9,262	8,533
Inter Group	(633)	(548)	(510)	(458)	(432)	(407)	(419)	(424)	(366)	(322)	(279)
Consolidated	24,661	22,344	20,851	14,726	12,975	11,815	12,046	12,242	11,404	11,167	10,342
Canada	22,071	20,708	19,482	13,351	11,758	10,627	10,144	9,526	8,994	8,865	8,276
United States	2,590	1,636	1,369	1,375	1,217	1,188	1,902	2,716	2,410	2,302	2,066
<b>Operating Income</b>											
Food Processing	312	221	166	133	93	74	71	52	52	43	65
Food Distribution	1,128	968	803	522	424	358	325	272	201	185	222
Consolidated	1,440	1,189	969	655	517	432	396	324	253	228	287
<b>Capital Investment</b>											
Food Processing	222	104	109	121	78	109	124	126	72	70	75
Food Distribution	1,108	943	802	599	517	390	307	326	315	169	159
Consolidated	1,330	1,047	911	720	595	499	431	452	387	239	234
<b>Total Assets (2)</b>											
Food Processing	5,019	1,957	1,762	1,536	1,178	1,108	1,179	1,101	1,142	1,081	1,078
Food Distribution	9,955	9,096	7,919	7,132	3,857	3,566	3,210	3,044	2,726	2,507	2,325
Discontinued Operations					843	767	733	642	591	407	426
Consolidated	14,974	11,053	9,681	8,668	5,878	5,441	5,122	4,787	4,459	3,995	3,829
<b>Return on Average</b>											
<b>Total Assets (%)</b>											
Food Processing	9.6	13.8	11.5	9.8	8.2	6.5	6.2	4.6	4.6	4.0	6.0
Food Distribution	13.3	12.7	11.8	10.7	14.0	13.4	12.2	10.3	8.4	8.5	10.3
Consolidated	11.9	12.4	11.2	9.7	10.4	9.5	8.9	7.5	6.4	6.2	8.0
<b>Operating Income</b>											
<b>Return on Sales (%)</b>											
Food Processing	8.2	8.0	6.4	4.9	3.9	3.1	2.7	2.0	2.2	1.9	3.1
Food Distribution	5.2	4.8	4.3	4.2	3.9	3.6	3.3	2.7	2.1	2.0	2.6
Consolidated	5.8	5.3	4.6	4.4	4.0	3.7	3.3	2.6	2.2	2.0	2.8

(1) For financial term and ratio definitions, refer to page 48.

(2) Excludes, in 2001, Business held for sale and, in 1998 to 2001, the \$368 investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures.



## Results by Quarter (1)

(\$ millions)		2001	2000
<b>Sales</b>	1st Quarter	\$ 5,118	\$ 4,809
	2nd Quarter	5,572	5,182
	3rd Quarter	7,788	6,955
	4th Quarter	6,183	5,398
		\$ 24,661	\$ 22,344
<b>Trading Profit (EBITDA)</b>	1st Quarter	\$ 326	\$ 277
	2nd Quarter	407	352
	3rd Quarter	542	437
	4th Quarter	596	491
		\$ 1,871	\$ 1,557
<b>Operating Income</b>	1st Quarter	\$ 235	\$ 195
	2nd Quarter	314	268
	3rd Quarter	405	320
	4th Quarter	486	406
		\$ 1,440	\$ 1,189
<b>Net Earnings</b>	1st Quarter	\$ 75	\$ 72
	2nd Quarter	124	103
	3rd Quarter	143	118
	4th Quarter	240	188
		\$ 582	\$ 481
<b>Basic Net Earnings Per Common Share (\$)</b>	1st Quarter	\$ .57	\$ .55
	2nd Quarter	.94	.78
	3rd Quarter	1.09	.90
	4th Quarter	1.82	1.43
		\$ 4.42	\$ 3.66
<b>Diluted Net Earnings Per Common Share (\$)</b>	1st Quarter	\$ .56	\$ .54
	2nd Quarter	.94	.78
	3rd Quarter	1.08	.89
	4th Quarter	1.80	1.41
		\$ 4.37	\$ 3.64
<b>Basic Net Earnings Before Goodwill Charges Per Common Share (\$)</b>	1st Quarter	\$ .66	\$ .63
	2nd Quarter	1.04	.88
	3rd Quarter	1.21	1.03
	4th Quarter	1.91	1.51
		\$ 4.82	\$ 4.05

(1) For financial term definitions, refer to page 48.

George Weston Limited is committed to improving quality of life in the communities it serves, and believes that business should participate with its employees in supporting community organizations.

Contributions to community organizations are made by operating divisions, as well as by Loblaw Companies Limited, George Weston Limited and The W. Garfield Weston Foundation, a private Canadian foundation associated with the Weston group of companies.

Our support is shared across Canada and is directed mainly toward education, specialized medical research, conservation and community projects. George Weston Limited is one of many Canadian corporations that recognize and support the goals of the "IMAGINE" campaign. As a member of the "IMAGINE" Caring Company program, George Weston Limited is committed to contributing a minimum of 1% of pre-tax profits (cash and in-kind) to charitable organizations in Canada and encouraging employee volunteerism.



The following are a few of the organizations we are proud to have supported in 2001:

<b>Commonwealth Games Association of Canada</b> Across Canada	<b>Local Food Banks</b> Across Canada	<b>Yee Hong Community Wellness Foundation</b> Scarborough, ON	<b>Camrose Association for Community Living</b> Camrose, AB
<b>General Hospital Health Foundation</b> St. John's, NF	<b>Fondation Réussite Jeunesse Inc.</b> Longueuil, QC	<b>Frontier Centre for Public Policy</b> Winnipeg, MB	<b>Saanich Peninsula Hospital Foundation</b> Saanichton, BC
<b>Atlantic Salmon Federation</b> St. Andrew's, NB	<b>Fondation du Centre Normand-Léveillé</b> Drummondville, QC	<b>Safe Drinking Water Foundation</b> Saskatoon, SK	<b>The Salvation Army</b> Across Canada
<b>Cape Breton Regional Library</b> Sydney, NS	<b>Brain Tumour Foundation of Canada</b> Across Canada	<b>Canada Prize for Earth and Environmental Science</b> Across Canada	<b>Big Brothers and Sisters of the Okanagan</b> Kelowna, BC

The W. Garfield Weston Foundation has worked with The Nature Conservancy of Canada to protect Canada's unique natural heritage in some of the most endangered areas across the country. In addition, the Foundation partners with the Canadian Merit Scholarship Foundation to give scholarships to outstanding students entering university and community college who combine academic promise with character, leadership potential and a commitment to their community.

We are delighted to recognize and congratulate the Canadian Merit Scholarship Foundation, all its scholarship recipients, and, in particular, the following National Award winners of our Garfield Weston Merit Scholarships for colleges and universities in 2001:

<b>Lauren Albrecht</b> St. Albert, AB	<b>Judith Condcliffe</b> Toronto, ON	<b>Kunaal Jindal</b> Winnipeg, MB	<b>Andrew McKechnie</b> Collingwood, ON	<b>Nathan Romagnoli</b> St. Catharines, ON
<b>Angela Arnold</b> Wallace, NS	<b>Alexander Dow</b> Toronto, ON	<b>Jean-Philippe Julien</b> Boucherville, QC	<b>Susan McSporran</b> Burlington, ON	<b>Daniela Sanhueza</b> Edmonton, AB
<b>Lauren Ash</b> Belleville, ON	<b>Jamie Gallant</b> Brockton, PE	<b>Amy-Lee Kouwenberg</b> Pugwash, NS	<b>Nicholas Mercante</b> Wilsonville, ON	<b>Manjinder Sidhu</b> Oliver, BC
<b>Lissa Aubin</b> Chelmsford, ON	<b>Angela Garrett</b> Innisfil, ON	<b>Martin Lajeunesse</b> Sudbury, ON	<b>Kristy Murphy</b> Lively, ON	<b>Kerri-Rae Sprott</b> Miami, MB
<b>Nikki Baker</b> Cobourg, ON	<b>Kathleen Geauvreau</b> Barton, NS	<b>Rebecca Leach</b> Grimsby, ON	<b>Tanya Neumeyer</b> Bradford, ON	<b>Enid Stewart</b> Carrying Place, ON
<b>Esha Bhandari</b> Saint John, NB	<b>Christopher Handley</b> Fenelon Falls, ON	<b>Christeen Lewis</b> Westville, NS	<b>Ann Marie Norris</b> Brampton, ON	<b>Cheryl Walsh</b> Hamilton, ON
<b>Dayan Boyce</b> London, ON	<b>Nazim Hussain</b> Brossard, QC	<b>Holly Love</b> Timmins, ON	<b>Kara O'Brien</b> Summerside, PE	<b>Kimberlee Warren</b> Warren, ON
<b>Katherine Cibinel</b> Winnipeg, MB	<b>Carmen Kramer</b> Pickering, ON	<b>Jonathan Mailman</b> Dartmouth, NS	<b>Mattieu Robillard</b> Upsala, ON	<b>Casey Wintle</b> Fonthill, ON



## Board of Directors

**W. Galen Weston**O.C., B.A., LL.D. <sup>(1\*)</sup>

Chairman, George Weston Limited, Chairman and Director, Loblaw Companies Limited; Chairman, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited; President, The W. Garfield Weston Foundation; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce, Advisory Board of Columbia University.

**Richard J. Currie**C.M., M.B.A., LL.D., P.Eng. <sup>(1)</sup>

President, George Weston Limited; Retired President, Loblaw Companies Limited; Director, Imperial Oil Limited, BCE Inc., Teleglobe Inc., CAE Inc.

**Robert J. Dart**B.Comm., F.C.A. <sup>(2,3)</sup>

Vice Chairman, Wittington Investments, Limited; Former President, Wittington Investments, Limited; Former Senior Tax Partner, Price Waterhouse Canada; Director, Loblaw Companies Limited, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited, Canadian Arthritis Network.

**Peter B. M. Eby**B.Comm., M.B.A. <sup>(2,4)</sup>

Former Vice Chairman and Director, Nesbitt Burns Inc.; Former Executive, Nesbitt Burns Inc. and its predecessor companies; Former Chairman, Olympic Trust; Director, Westfair Foods Ltd., Leon's Furniture Limited.

**Anne L. Fraser**B.Sc., LL.D. <sup>(5\*)</sup>

Education Consultant, University of Victoria; Associate Governor, Dalhousie University; Associate, Faculties of Management, Education, Engineering and Fine Arts, University of Calgary; Director, Loblaw Companies Limited, Crestar Energy, Neurosciences Canada Foundation, Bamfield Marine Research Centre, Pier 21 Society.

**R. Donald Fullerton**B.A. <sup>(2\*,3\*)</sup>

Retired Chairman and Chief Executive Officer, Canadian Imperial Bank of Commerce; Director, Canadian Imperial Bank of Commerce, Asia Satellite Telecommunications Holdings Ltd., Hollinger Inc., Westcoast Energy Inc.

**Anthony R. Graham**<sup>(1,3,4\*)</sup>

President and Director, Wittington Investments, Limited; President and Chief Executive Officer, Sumarria Inc.; Former Vice Chairman and Director, National Bank Financial; Chairman and Director, President's Choice Bank; Director, Loblaw Companies Limited, Holt, Renfrew & Co., Limited, Power Corporation, Power Financial Corporation, Provigo Inc., Graymont Ltd.

**Mark Hoffman**B.A., M.A., A.B., M.B.A. <sup>(5)</sup>

Chairman, Cambridge Research Group, Guinness Flight Venture Capital Trust plc; Director, Millipore Corporation, Advent International Corporation, Hermes Focus Asset Management Limited.

**Allan L. Leighton**<sup>(4)</sup>

Chairman, British Home Stores Ltd., Wilson Connolly Holdings plc, lastminute.com plc, Cannons Ltd., Consignia plc; Former President and Chief Executive Officer, Wal-Mart Europe; Former Chief Executive, Asda Stores Ltd.; Deputy Chairman, Leeds Sporting plc; Director, BSKYB plc, Scottish Power plc, Dyson Ltd.

**John C. Makinson**B.A., CBE <sup>(2)</sup>

Group Finance Director, Pearson plc; Former Managing Director, Financial Times Newspaper.

**J. Robert S. Prichard**O.C., O.Ont., M.B.A., LL.B., LL.M., LL.D. <sup>(5)</sup>

President, Torstar Media Group and Chief Operating Officer, Torstar Corporation; President Emeritus, University of Toronto; Director or Trustee of various corporations and organizations including Bank of Montreal, Onex Corporation, Four Seasons Hotels, Historica.

**M. D. Wendy Rebanks**B.A. <sup>(4,5)</sup>

Treasurer, The W. Garfield Weston Foundation; Trustee, American Museum Trustee Association, University of Toronto Art Centre; Director, The Canadian Merit Scholarship Foundation.

- (1) Executive Committee
  - (2) Audit Committee
  - (3) Governance and Compensation Committee
  - (4) Pension Committee
  - (5) Environmental, Health and Safety Committee
- \* Chairman of Committee

## Corporate Officers

**W. Galen Weston, O.C.**

61 and 30 years  
Chairman of the Board

**Richard J. Currie, C.M.**

64 and 30 years  
President

**Donald G. Reid**

52 and 22 years  
Chief Financial Officer

**Roy R. Conliffe**

51 and 20 years  
Senior Vice President,  
Labour Relations

**Stewart E. Green**

57 and 25 years  
Senior Vice President,  
Secretary and General Counsel

**Richard P. Mavrinac**

49 and 19 years  
Senior Vice President, Finance

**Stephen A. Smith**

44 and 16 years  
Senior Vice President, Controller

**Robert G. Vaux**

53 and 4 years  
Senior Vice President,  
Corporate Development

**Robert A. Balcom**

40 and 8 years  
Vice President,  
Assistant Secretary

**Penny D. Collenette**

51 and 4 years  
Vice President,  
Chairman's Office

**J. Bradley Holland**

38 and 8 years  
Vice President, Taxation

**Michael N. Kimber**

46 and 17 years  
Vice President, Legal Counsel

**Louise M. Lacchin**

44 and 18 years  
Vice President, Treasurer

**Glenn D. Leroux**

47 and 15 years  
Vice President,  
Risk Management

**Garfield R. Mitchell**

43 and 8 years  
Vice President,  
Community Affairs

**Lucy J. Paglione**

42 and 18 years  
Vice President,  
Pension and Benefits

**Mark A. Rodrigues**

44 and 15 years  
Vice President,  
Internal Audit Services

**Geoffrey H. Wilson**

46 and 15 years  
Vice President, Industry  
and Investor Relations

**Ann Marie Yamamoto**

41 and 15 years  
Vice President, Systems Audit  
and Information Technology

**Marian M. Burrows**

47 and 23 years  
Assistant Secretary

**Walter H. Kraus**

39 and 13 years  
Director, Environmental Affairs

**Patrick MacDonell**

32 and 6 years  
Assistant Treasurer

**Laurel MacKay-Lee**

32 and 2 years  
Controller, Planning and Analysis

**Rolando Sardelliitti**

34 and 7 years  
Controller, Financial Reporting

**Lisa R. Swartzman**

31 and 8 years  
Assistant Treasurer



## Weston Foods Canadian Operations

### Ralph A. Robinson

53 and 27 years  
President

### Pierre E. Boucher

47 and 18 years  
Vice President and General  
Manager, Weston Bakeries/  
Ready Bake – Quebec

### Edward J. Holik

43 and 13 years  
Vice President and General  
Manager, Weston Bakeries/  
Ready Bake – Western Canada

### Judith A. McCrie

45 and 8 years  
Vice President and General  
Manager, Neilson Dairy

### Kirk B. McGrath

46 and 10 years  
Vice President and General  
Manager, Weston Bakeries/  
Ready Bake – Atlantic Canada

### Kevin C. Tracey

44 and 14 years  
Vice President and General  
Manager, Weston Bakeries/  
Ready Bake – Ontario

## Fisheries

### Fraser J. Walsh

54 and 31 years  
President, Heritage Salmon

## Weston Foods United States Operations

### Gary J. Prince

50 and 28 years  
President and President,  
George Weston Bakeries

### Raymond A. Baxter

57 and 14 years  
President, Interbake Foods

### Paul D. Durlacher

50 and 12 years  
President, Maplehurst Bakeries

### Antonio L. Leta

45 and 10 years  
Vice President and General  
Manager, Stroehmann Bakeries

## Loblaw Companies

### John A. Lederer

46 and 25 years  
President

### David K. Bragg

53 and 18 years  
Executive Vice President

### David R. Jeffs

44 and 23 years  
Executive Vice President

### Donald G. Reid

52 and 22 years  
Executive Vice President

### Robert G. Chenaux

58 and 26 years  
Senior Vice President,  
Corporate Brand Development

### Roy R. Conliffe

51 and 20 years  
Senior Vice President,  
Labour Relations

### Stewart E. Green

57 and 25 years  
Senior Vice President,  
Secretary

### Richard P. Mavrinac

49 and 19 years  
Senior Vice President,  
Finance

### Stephen A. Smith

44 and 16 years  
Senior Vice President,  
Controller

### Peter D. Turcot

44 and 19 years  
Senior Vice President,  
Sourcing and Procurement



**Executive Office**

22 St. Clair Avenue East  
Toronto, Canada M4T 2S7  
Tel: 416.922.2500  
Fax: 416.922.4395  
www.weston.ca

**Stock Listing**

The Toronto Stock Exchange

**Common Share Symbol**

"WN"

**Common Shares**

Total outstanding at year end –  
131,467,907  
Shares available for public trading  
at year end – 50,107,557  
Average daily trading volume –  
91,967

**Common Dividend Policy**

It is the Company's policy to maintain a stable dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share.

**Common Dividend Dates**

Record Date	Payment Date
Dec. 15	Jan. 1
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1

**Normal Course Issuer Bid**

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

**Value of Common Shares**

For capital gains purposes, the Valuation Day (December 22, 1971) cost base for the Company, adjusted for the 4 for 1 stock split (effective May 27, 1986) and the 3 for 1 stock split (effective May 8, 1998), is \$1.50 per share. The value on February 22, 1994 was \$13.17 per share.

**Trademarks**

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited. Several subsidiaries are licensees of additional trademarks. Trademarks where used in this report are in italics.

**Investor Relations**

Shareholders, security analysts and investment professionals should direct their requests for copies of the Company's or Loblaw Companies Limited's Annual Report or Annual Information Form to Mr. Geoffrey H. Wilson, Vice President, Industry and Investor Relations at the Company's Executive Office.

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR.

Ce rapport est disponible en français.

This Annual Report includes selected information on Loblaw Companies Limited, a 61% owned public reporting company with shares trading on the Toronto Stock Exchange.

**Registrar and Transfer Agent**

Computershare Trust Company of Canada  
100 University Avenue  
Toronto, Canada M5J 2Y1

**General Counsel**

Borden Ladner Gervais LLP  
Toronto, Canada

**Auditors**

KPMG LLP  
Toronto, Canada

**Annual and General Meeting**

Wednesday, May 8, 2002 at 11:00 a.m.  
Metro Toronto Convention Centre,  
Constitution Hall, Toronto, Canada

**Weston**

22 St. Clair Avenue East  
Toronto, Canada M4T 2S7  
Tel: 416.922.2500  
Fax: 416.922.4395  
[www.weston.ca](http://www.weston.ca)